UMW HOLDINGS BERHAD 090278-P

ANNUAL REPORT 2010

OUR BUSINESS

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

OUR PROMISE

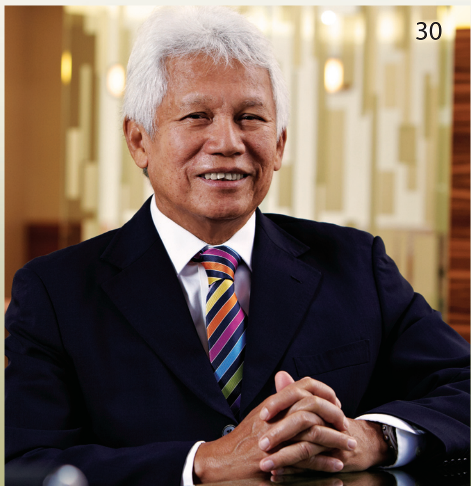
Together, we play a leading role in shaping the future of our industries globally. We do this by inspiring vibrant ideas, nurturing potential, pioneering partnerships and delivering excellence in everything we do, the rewards of which contribute to the progress and well-being of all our stakeholders.

COVER RATIONALE

The cover design of the 2010 UMW annual report shows the imagery of four jet planes soaring purposefully in unison towards the iconic UMW logo. Each jet plane proudly bears the name of each core business of the UMW Group – Automotive, Equipment, Manufacturing & Engineering and Oil & Gas. This metaphoric image of four jet planes flying over a layer of clouds towards the calm, blue skies aptly reflects the single-minded tenacity of the people of UMW. The Group has achieved unprecedented growth in the last two decades, successfully overcoming all challenges, be they strong competition or recessionary conditions.

Led by a strong management team and fuelled with renewed purpose, the UMW Group now enters a consolidation period where its businesses will be synergised and the strengths of each of its business units will be leveraged upon. Deeply entrenched in the core values of Being Honourable, Vibrant, Unshakeable and Pioneering, all four business units are well-poised and ever ready to assist each other along towards a common goal – a stronger, more resilient UMW.

CONTENTS



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth 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, 23 June 2011 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 2010 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To declare a final single-tier dividend of 6.5 sen per share of par value RM0.50 each for the year ended 31 December 2010, giving a total gross dividend of 30.0 sen per share of par value RM0.50 each for the year. **Ordinary Resolution 2**

3. To re-elect the following Directors who are retiring in accordance with Article 123 of the Company's Articles of Association -

   (a) Tan Sri Asmat bin Kamaludin **Ordinary Resolution 3**

   (b) Dato' Mohd. Nizam bin Zainordin. **Ordinary Resolution 4**

4. To re-elect the following Directors who are retiring in accordance with Article 109 of the Company's Articles of Association -

   (a) Datuk Syed Hisham bin Syed Wazir **Ordinary Resolution 5**

   (b) Khalid bin Sufat **Ordinary Resolution 6**

   (c) Wan Kamaruzaman bin Wan Ahmad. **Ordinary Resolution 7**

5. To approve Directors' fees of RM748,000 for the year ended 31 December 2010. **Ordinary Resolution 8**

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 9**

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")*

"THAT the mandate granted by the shareholders of the Company on 17 June 2010 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, 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 31 May 2011 ("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 10**

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 MMLR") 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 Bursa Securities MMLR 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 11**

Proposed Allocation of Motor Vehicles for Non-Executive Directors***

"THAT the proposed allocation of a motor vehicle for each of the Non-Executive Directors ("NEDs") of the Company, be and is hereby approved and included in the current remuneration package for NEDs, AND THAT, the Board be and is hereby authorised to determine all details with regard to the implementation thereof."

Ordinary Resolution 12

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of the shareholders at the Twenty-Ninth Annual General Meeting, the Final Dividend comprising a single-tier dividend of 6.5 sen per share of par value RM0.50 each, for the financial year ended 31 December 2010, will be paid on 10 August 2011 to shareholders whose names appear in the Record of Depositors at the close of business on 22 July 2011.

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 2011 (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 2011 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)

31 May 2011
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 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 17 June 2010 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 31 May 2011.

(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.

(iii) Proposed Allocation of Motor Vehicles for Non-Executive Directors ("NEDs")****

NEDs are now actively involved on the Boards of subsidiary companies for better overall governance. New Board Committees have been established and the number of Board and Committee meetings have increased substantially. In lieu of increasing Directors' fees to be adequately reflective of the added responsibilities, the Board deems it more appropriate to allocate a Toyota vehicle for each NED, i.e., a Camry 2.4V, as it will enable NEDs to portray the Toyota image. Moreover, Directors of the Company should be seen to be supporting the Group's main core business and profit contributor, i.e., Automotive (Toyota). In this case, the Camry 2.4V reflects the Toyota brand well.

This proposal will attract a bigger pool of high-calibre Directors. It will also enable the NED remuneration package of UMW to be more aligned with that of other car companies in Malaysia.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of Directors seeking re-election or re-appointment as mentioned in the Notice of Annual General Meeting are set out in their respective profiles which appear in the Directors' Profile on pages 12 to 17 of this annual report. Directors' interests in the securities of the Company are disclosed on page 80 of this annual report.

FINANCIAL CALENDAR
YEAR ENDED 31 DECEMBER 2010

Financial Year Ended/Ending	**31 Dec 2010**	**31 Dec 2011**
Announcement Of Results		
First Quarter	20 May 2010	25 May 2011
Second Quarter	20 Aug 2010	Aug 2011
Third Quarter	22 Nov 2010	Nov 2011
Fourth Quarter	24 Feb 2011	Feb 2012
Issue Of Annual Report And Financial Statements	31 May 2011	May 2012
Annual General Meeting	23 June 2011	June 2012
Dividends		
Interim		
- Declaration	20 Aug 2010	Aug 2011
- Payment	7 Oct 2010	Oct 2011
Second Interim		
- Declaration	22 Nov 2010	Nov 2011
- Payment	11 Feb 2011	Feb 2012
Final		
- Declaration	23 June 2011	June 2012
- Payment	10 Aug 2011	Aug 2012

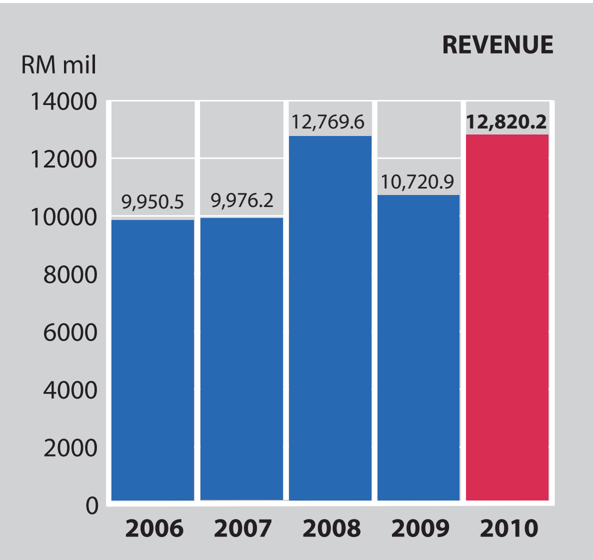
SUMMARY OF GROUP RESULTS
YEAR ENDED 31 DECEMBER 2010

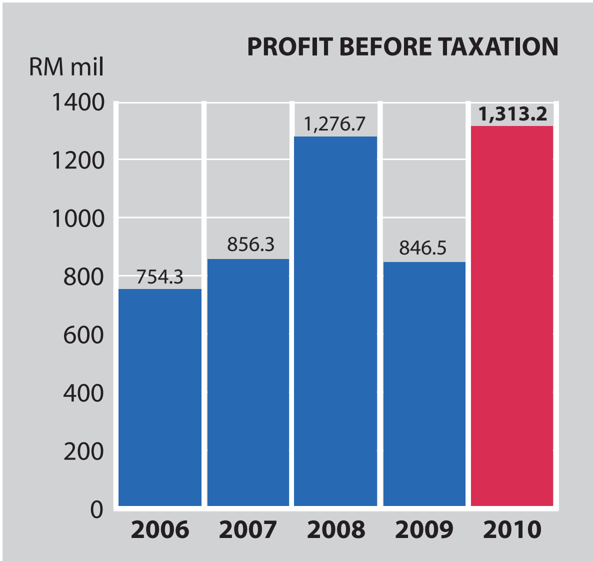
	2010 RM'000	**2009 RM'000**
Revenue	12,820,229	10,720,861
Profit Before Taxation	1,313,219	846,504
Net Profit For The Year	972,821	647,212
Share Capital	576,687	559,658
Reserves	3,450,406	3,214,201
Basic Earnings Per Share	46.3 sen	34.6 sen
Dividend Per Share		
- Gross	30.0 sen	20.0 sen
- Net	30.0 sen	20.0 sen
Net Assets Per Share	RM3.49	RM3.37

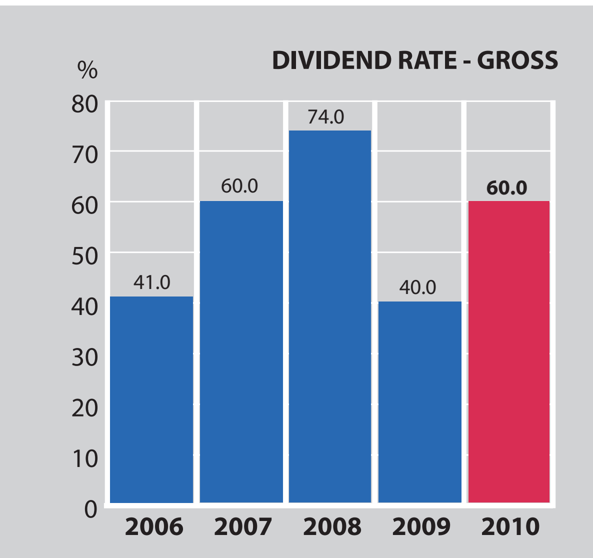
FIVE-YEAR GROUP SUMMARY RESULTS

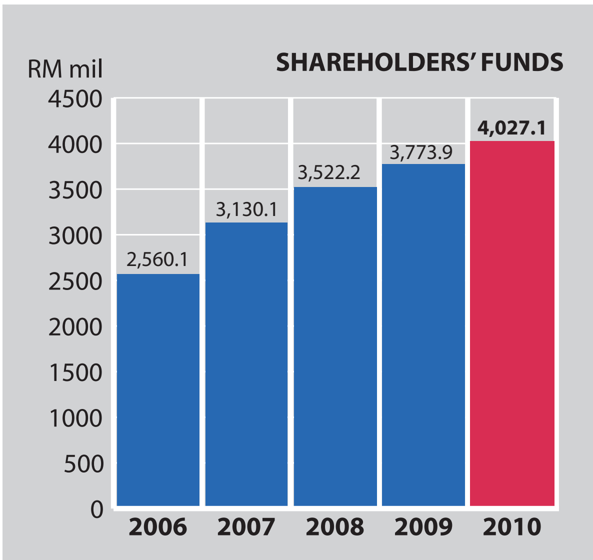
		2006	2007	2008	2009	2010
Revenue	RM million	9,950.5	9,976.2	12,769.6	10,720.9	**12,820.2**
Profit Before Taxation	RM million	754.3	856.3	1,276.7	846.5	**1,313.2**
Profit Attributable To Equity Holders Of The Company	RM million	305.9	469.1	565.8	382.4	**526.9**
Shareholders' Funds	RM million	2,560.1	3,130.1	3,522.2	3,773.9	**4,027.1**
Return On Shareholders' Funds	%	12.5	16.5	17.0	10.5	**13.5**
Return On Total Assets	%	14.8	13.2	16.3	9.6	**13.1**
Dividend Rate - Gross	%	41.0	60.0	74.0	40.0	**60.0**
Basic Earnings Per Share*	Sen	30.2	44.6	52.3	34.6	**46.3**
Net Assets Per Share*	RM	2.51	2.91	3.22	3.37	**3.49**

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









BOARD OF DIRECTORS

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

President & Group CEO
Datuk Syed Hisham bin Syed Wazir
(Non-Independent Executive Director)

Directors
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)

Khalid bin Sufat
(Independent Non-Executive Director)

Wan Kamaruzaman bin Wan Ahmad
(Non-Independent Non-Executive Director)

CORPORATE INFORMATION

BOARD COMMITTEES

Audit Committee
Dato' Siow Kim Lun *(Chairman)*
Dr. Leong Chik Weng
Dato' Mohd. Nizam bin Zainordin

Nomination Committee
Khalid bin Sufat *(Chairman)*
Tan Sri Asmat bin Kamaludin
Dato' Siow Kim Lun

Remuneration Committee
Dr. Leong Chik Weng *(Chairman)*
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani
Khalid bin Sufat

Investment & Risk Management Committee
Dr. Leong Chik Weng *(Chairman)*
Dato' Mohd. Nizam bin Zainordin
Dato' Siow Kim Lun
Datuk Syed Hisham bin Syed Wazir

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) 74958000
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
The Royal Bank Of Scotland, Offshore Labuan

Stock Exchange Listing
Main Market
Bursa Malaysia Securities Berhad

Website
www.umw.com.my

BOARD OF DIRECTORS

Tan Sri Asmat bin Kamaludin

Datuk Syed Hisham bin Syed Wazir

Dr. Leong Chik Weng

Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani

Dato' Siow Kim Lun

Dato' Mohd. Nizam bin Zainordin

Khalid bin Sufat

Wan Kamaruzaman bin Wan Ahmad

Suseela Menon
(Group Secretary/Executive Director, UMW Corporation)

DIRECTORS' PROFILE

TAN SRI ASMAT BIN KAMALUDIN
Age 67, Malaysian
Group Chairman, Non-Independent Non-Executive Director
Member of Nomination Committee

QUALIFICATIONS
- Bachelor of Arts (Hons.) in Economics, University of Malaya
- Diploma in European Economic Integration, University of Amsterdam

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 20 February 2001 (Group Chairman)

WORKING EXPERIENCE AND OCCUPATION
- Tan Sri Asmat bin Kamaludin 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. Between 1973 and 1976, he had served as Senior 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. In 2008, Tan Sri Asmat was appointed by MITI to represent Malaysia as Governor on the Governing Board of the Economic Research Institute for Asean and East Asia.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Panasonic Manufacturing Malaysia Berhad
- Symphony House Berhad
- Scomi Group Berhad
- TASCO Berhad
- Compugates Holdings Berhad
- Scomi Marine Berhad
- YTL Cement Berhad
- Lion Industries Corporation Berhad
- Malaysian Pacific Industries Berhad
- Permodalan Nasional Berhad
- The Royal Bank of Scotland Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- 20,000 shares (indirect holding) in UMW Holdings Berhad

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a nominee Director of Permodalan Nasional Berhad

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 9 out of 10 Board meetings held

DATUK SYED HISHAM BIN SYED WAZIR
Age 56, Malaysian
President & Group CEO
Non-Independent Executive Director
Member of Investment & Risk Management Committee and UMW Employee Share Option Committee

QUALIFICATIONS
- Master of Business Administration, Ohio State University
- Bachelor of Science in Mechanical Engineering, Plymouth University

DIRECTORS' PROFILE (Cont'd.)

- Ordinary National Diploma in Engineering, Hastings College of Further Education

MEMBERSHIP OF ASSOCIATIONS
- Fellow Member of the Institute of Motor Industry, United Kingdom
- Member of Beta Gamma Sigma of Ohio University
- Member of the Ohio University Alumni Society in Malaysia

DATE APPOINTED TO THE BOARD
- 1 October 2010 (President & Group CEO)

WORKING EXPERIENCE AND OCCUPATION
- Datuk Syed Hisham bin Syed Wazir has had vast exposure in the Automotive Industry. Prior to joining UMW, he was the Chief Operating Officer of Naza Kia Sdn. Bhd. and Naza Kia Services Sdn. Bhd. from 2009 to 2010. Datuk Syed Hisham started his career in the automotive field in 1983, when he joined HICOM Berhad and was later seconded to Perusahaan Otomobil Nasional Berhad ("PROTON") as Marketing Service Deputy Manager, before serving the Business Division of the company as Senior Manager. He was promoted to General Manager of Proton Corporation Sdn. Bhd., a subsidiary of PROTON, engaged in the distribution and marketing of PROTON cars for the domestic and overseas markets. Datuk Syed Hisham was subsequently appointed as Director of Proton Cars (UK) Pte. Ltd. from 1997 to 1998 and from 1998 to 2000, he served as General Manager, International Business of DRB-HICOM Export Corporations Sdn. Bhd. In 2001, he became General Manager, Marketing Division of Honda Malaysia Sdn. Bhd. before being appointed as President/Chief Operating Officer from 2003 to 2005. In 2005, he was appointed Managing Director of Edaran Otomobil Nasional Berhad, where he served until 2009.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a nominee Director of Permodalan Nasional Berhad

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 2 out of 2 Board meetings held after his appointment

DR. LEONG CHIK WENG

Age 48, Malaysian
Independent Non-Executive Director
Chairman of Remuneration Committee, Investment & Risk Management Committee and UMW Employee Share Option Committee
Member of Audit Committee

QUALIFICATIONS
- Ph.D in Chemical Engineering, University of Massachusetts
- Bachelor of Science in Chemical Engineering, West Virginia University

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 29 November 2007

WORKING EXPERIENCE AND OCCUPATION
- After graduation, Dr. Leong Chik Weng joined Raychem Corporation in Menlo Park, California, where he was subsequently promoted as Technical Director. In 1997, he was appointed Consultant to Guidant Corporation, Santa Clara, California, 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 later joined Universal Search Machine Sdn. Bhd. as Managing Director from 1998 to 2000. He is also the founder and currently a Chief Executive

DIRECTORS' PROFILE (Cont'd.)

Officer of e-Lock Corporation Sdn. Bhd., a company involved in the provision of information technology services.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- A-Rank Berhad
- OLDTOWN Berhad
- Chemical Company of Malaysia Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 10 out of 10 Board meetings held

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

Age 50, Malaysian
Non-Independent Non-Executive Director
Member of Remuneration Committee

QUALIFICATIONS
- Ph.D in Law, School of Oriental and African Studies, University of London
- Masters in Law, Queen Mary and Westfield College, University of London
- Read law at the University of Buckingham
- Post-Graduate Diploma in Syariah Law and Practice (with Distinction), International Islamic University of Malaysia

MEMBERSHIP OF ASSOCIATIONS
- Fellow of the Chartered Institute of Marketing, United Kingdom
- Fellow of the Financial Services Institute of Australia

DATE APPOINTED TO THE BOARD
- 13 August 2008

WORKING EXPERIENCE AND OCCUPATION
- Currently, Dato' Dr. Nik Norzrul Thani bin N.Hassan 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. Dato' Dr. Nik Norzrul 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 Laws, International Islamic University Malaysia.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Fraser & Neave Holdings Berhad
- Al Rajhi Banking & Investment Corporation (Malaysia) Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a nominee Director of Permodalan Nasional Berhad

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 9 out of 10 Board meetings held

DIRECTORS' PROFILE (Cont'd.)

DATO' SIOW KIM LUN

Age 60, Malaysian
Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination Committee and Investment & Risk Management Committee

QUALIFICATIONS
- Bachelor of Economics (Honours), University Kebangsaan Malaysia
- Masters degree in Business Administration, Catholic University of Leuven
- Advanced Management Program, Harvard Business School

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 10 July 2009

WORKING EXPERIENCE AND OCCUPATION
- Dato' Siow Kim Lun started his career in investment banking with Malaysian International Merchant Bankers in 1981 and had served as a Manager in its Corporate Finance Division. In 1985, he joined Permata Chartered Merchant Bank Berhad (now known as Affin Investment Bank Berhad) as Manager of Corporate Finance and subsequently became the Divisional Head of its Corporate Finance Division. From 1993 to 2006, Dato' Siow was with the Securities Commission and has served as the Director of its Issues & Investment Division and Director of its Market Supervision Division. He has also served as a member of the Listing Committee of Bursa Malaysia Securities Berhad from 2007 to 2009. Currently, Dato' Siow is also a Director of Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") and a Commission Member of Suruhanjaya Pengangkutan Awam Darat.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Citibank Berhad
- WZ Steel Berhad
- XingQuan International Sports Holdings Limited
- Eita Resources Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a Director of KWAP

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 9 out of 10 Board meetings held

DATO' MOHD. NIZAM BIN ZAINORDIN

Age 47, Malaysian
Non-Independent Non-Executive Director
Member of Audit Committee and Investment & Risk Management Committee

QUALIFICATIONS
- Association of Chartered Certified Accountants, United Kingdom
- Executive Masters in Business Administration, Asian Institute of Management

MEMBERSHIP OF ASSOCIATIONS
- Felow of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants
- Certified Financial Planner

DIRECTORS' PROFILE (Cont'd.)

DATE APPOINTED TO THE BOARD
- 13 August 2008

WORKING EXPERIENCE AND OCCUPATION
- Dato' Mohd. Nizam bin Zainordin has an extensive career in Finance spanning over 20 years. He was attached to several companies in the field of finance before joining Permodalan Nasional Berhad ("PNB") in 1994 as Assistant Manager, Finance Department and had since then held various positions in PNB before assuming his present position as Chief Financial Officer.

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Pengurusan Pelaburan ASW 2020 Berhad
- Pengurusan Pelaburan ASN Berhad
- Lanjut Golf Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a nominee Director of PNB

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 10 out of 10 Board meetings held

KHALID BIN SUFAT

Age 55, Malaysian
Independent Non-Executive Director
Chairman of Nomination Committee
Member of Remuneration Committee

QUALIFICATIONS
- Association of Chartered Certified Accountants, United Kingdom
- Malaysian Institute of Certified Public Accountants

MEMBERSHIP OF ASSOCIATIONS
- Fellow of Association of Chartered Certified Accountants, United Kingdom
- Member of Malaysian Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

DATE APPOINTED TO THE BOARD
- 1 September 2010

WORKING EXPERIENCE AND OCCUPATION
- Khalid bin Sufat has considerable experience in the banking industry having held several senior positions, namely General Manager, Consumer Banking of Malayan Banking Berhad in 1994, Executive Director of United Merchant Finance Berhad from 1995 to 1998 and Managing Director of Bank Kerjasama Rakyat Malaysia Berhad from 1998 to 2000. This experience has led him to become involved in the managing and restructuring of a number of public-listed companies. He became an Executive Director of Tronoh Mines Malaysia Berhad in 2002 and the Group Managing Director of Furqan Business Organisation Berhad in 2003 before being appointed as Group Managing Director of Seacera Tiles Berhad in mid-2006, a position he held until late 2007.

DIRECTORS' PROFILE (Cont'd.)

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- Bina Puri Holdings Berhad
- Chemical Company of Malaysia Berhad
- Kuwait Finance House (Malaysia) Berhad
- Malaysia Building Society Berhad
- Tradewinds (M) Berhad

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- 2 out of 2 Board meetings held after his appointment

WAN KAMARUZAMAN BIN WAN AHMAD
Age 51, Malaysian
Non-Independent Non-Executive Director

QUALIFICATIONS
- Bachelor of Economics (Honours), University of Malaya

MEMBERSHIP OF ASSOCIATIONS
- None

DATE APPOINTED TO THE BOARD
- 1 January 2011

WORKING EXPERIENCE AND OCCUPATION
- After graduation, Wan Kamaruzaman bin Wan Ahmad joined Malayan Banking Berhad ("MBB"). During his term with MBB, he held numerous positions mostly in the Treasury Department with postings as Chief Dealer to Hamburg branch, Germany, and as Treasury Manager to London branch, UK. Between 1994 to 2005, he served the Affin Group in various senior positions, i.e., as Director and Chief Executive Officer in Affin Trust Management Berhad, Affin Fund Management Sdn. Bhd., Affin Moneybrokers Sdn. Bhd. and Affin Futures Sdn. Bhd. From 2005 to 2006, he was appointed the Executive Director of Finance of Kemuncak Facilities Management Sdn. Bhd. and later, as Chief Financial Officer in Izoma (M) Sdn. Bhd. from 2006 to 2007. Currently, Wan Kamaruzaman is the General Manager, Treasury Department in Kumpulan Wang Simpanan Pekerja ("KWSP").

DIRECTORSHIPS OF OTHER PUBLIC COMPANIES
- None

INTEREST IN SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES
- None

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER
- None, except by virtue of being a nominee Director of KWSP

CONFLICT OF INTERESTS WITH THE COMPANY
- None

LIST OF CONVICTIONS FOR OFFENCES WITHIN THE PAST 10 YEARS OTHER THAN TRAFFIC OFFENCES
- None

NUMBER OF BOARD MEETINGS ATTENDED IN THE FINANCIAL YEAR
- Not applicable as Wan Kamaruzaman was appointed to the Board only on 1 January 2011.

MANAGEMENT COMMITTEE

From Left to Right:
AZMIN BIN CHE YUSOFF, DATUK SYED HISHAM BIN SYED WAZIR, CHEW CHEE LOON
SUSEELA MENON, ISMET BIN SUKI, BADRUL FEISAL BIN ABDUL RAHIM

AUDIT COMMITTEE REPORT

CHAIRMAN
Dato' Siow Kim Lun
(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, Dato' Siow Kim Lun, Dr. Leong Chik Weng and Dato' Mohd. Nizam bin Zainordin. Dato' Siow Kim Lun was appointed to the Audit Committee and assumed the position of Chairman of the Audit Committee on 2 August 2010 in place of Tan Sri Dato' Mohamed Noordin bin Hassan.

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 has been completed.

TERMS OF REFERENCE

Functions

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

1. To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal.

2. To discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one audit firm is involved.

3. To review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on -

    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements.

4. To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response.

5. To ensure that the Internal Audit Division ("IAD") is adequately resourced and has appropriate standing within the Group, and to formulate the terms of reference of the IAD.

6. To review the IAD's annual audit plan and all reports generated by the IAD and to issue instructions for further action to be taken by the IAD, and provide general guidance to the IAD.

7. To consider the major findings of internal investigations (by internal and external auditors) and management's response.

8. To review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.

9. To consider any related party transactions that may arise within the Group.

10. To verify and confirm the allocation of share options pursuant to the UMW Employee Share Option Scheme ("UMW ESOS") as being in compliance with the criteria set out in the By-Laws of the UMW ESOS.

11. To consider other topics as defined by the Board.

Meetings, Quorum and Procedures

The Audit Committee meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary. 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 senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit. 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 2010, the Committee met eight (8) times, i.e., on 22 February 2010, 21 April 2010, 19 May 2010, 19 July 2010, 18 August 2010, 28 September 2010, 22 November 2010 and 30 November 2010. Dr. Leong Chik Weng and Dato' Mohd. Nizam bin Zainordin attended all eight (8) meetings held in the year under review while Dato' Siow Kim Lun attended all five (5) meetings held after his appointment in August 2010.

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 2010 -

1. Reviewed the quarterly financial statements of the Company for the fourth quarter of 2009 on 22 February 2010 and the financial statements for the first, second and third quarters of 2010 on 19 May 2010, 18 August 2010 and 22 November 2010, 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 2009 on 21 April 2010 with the external auditors to ensure compliance with all legal and regulatory requirements prior to submission to the Board for approval and for announcement to Bursa Malaysia Securities Berhad.

3. Reviewed the annual audit plans and budget to ensure adequate scope and comprehensive coverage over the activities of the UMW Group.

4. 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.

5. Reviewed and discussed the reports of the Chairman of the Management Audit Committee.

6. Reviewed the internal audit reports covering the performance of companies/branches audited in the fourth quarter of 2009 and in the first, second and third quarters of 2010, and the reports generated in the financial year ended 31 December 2010 by the IAD, the audit recommendations made and management's response to these recommendations, and ensured that material findings were adequately addressed by management.

7. Monitored corrective actions taken on the outstanding audit issues to ensure that all key risks and lapses in controls, have been addressed.

8. Reviewed the IAD's staffing requirements and the internal auditors' skills and core competencies.

9. Reviewed the 2010 Audit Planning Memorandum prepared by the external auditors to ensure adequate scope and comprehensive coverage over the activities of the UMW Group.

10. Discussed the proposed calendar for adoption of Financial Reporting Standards in 2010 and financial reporting developments, changes and impact on companies reporting under FRS in 2011.

11. Discussed the audit timetable and the proposed audit fees for the UMW Group for the financial year 2010.

12. Reviewed the status of annual audit reports and management letter on issues raised by the external auditors.

13. Evaluated the performance of the external auditors and made recommendations to the Board on their appointment, scope of works and audit fees.

14. Reviewed the Statement on Internal Controls in respect of the year ended 31 December 2009, including the Statement on Risk Management and the Terms of Reference from Ernst & Young in undertaking the review of the statement.

15. Reviewed the UMW Group's Enterprise Risk Management framework ("ERM") and status of ERM activities of the Group in 2010.

16. Reviewed the related party transactions entered into by UMW Holdings Berhad and/or its Group of Companies with related parties.

17. 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.

18. Reviewed the revised UMW Group Financial Limits Authority Guidelines.

19. Carried out ad-hoc and special assignments as instructed by the Board.

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 2010, the IAD carried out audits of 177 business units in the UMW Group. A total of 57 reports relating to the audit of companies/branches in the fourth quarter of 2009 and the first, second and third quarters of 2010, generated in the financial year, were reviewed by the Audit Committee.

The total cost incurred for the internal audit function for 2010 was RM4,556,177.

Details of the activities of the IAD are set out in the Statement on Internal Controls on pages 68 to 69 of this annual report.

NOMINATION COMMITTEE REPORT

CHAIRMAN
Khalid bin Sufat
(Independent Non-Executive Director)

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

Dato' Siow Kim Lun
(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, Khalid bin Sufat, Tan Sri Asmat bin Kamaludin and Dato' Siow Kim Lun. Khalid bin Sufat was appointed to the Nomination Committee on 5 October 2010 following the retirement of Tan Sri Dato' Mohamed Noordin bin Hassan on 17 June 2010. He assumed the position of Chairman of the Nomination Committee on 1 April 2011 in place of Dato' Siow Kim Lun, 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 to fill 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, as well as the President & Group CEO and to identify areas for improvement.

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

The evaluation process takes into account whether -

- Adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;
- Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
- Appropriate recommendations have been made to the Board for the re-election/re-appointment of Non-Executive Directors who have served a term of office of ten (10) years or who have 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 President & Group CEO attends and makes presentations at meetings. 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 2010, the Committee met four (4) times, i.e., on 17 March 2010, 20 May 2010, 2 November 2010 and 22 November 2010. Tan Sri Asmat bin Kamaludin and Dato' Siow Kim Lun attended all the four (4) meetings held in the year under review whilst Khalid bin Sufat attended the two (2) meetings held after his appointment in October 2010 .

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.

Summary of Activities

The following activities were carried out by the Nomination Committee during the financial year ended 31 December 2010 -

1. Reviewed and recommended the following for the Board's approval -
    - Extension of service of retiring employees in key management positions;
    - Directors retiring by rotation and re-election to the Board;
    - Suitable candidates to the Board;
    - Suitable candidate for the position of President & Group CEO;
    - Directors filling seats on the Boards of companies in the Group; and
    - Directors filling seats on Board Committees.

2. Conducted the Board's effectiveness assessment and recommended improvement plans for the same.

3. Reviewed management's proposals on appointment and promotions of senior management personnel of the Group.

REMUNERATION COMMITTEE REPORT

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

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

Khalid bin Sufat
(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, Dr. Leong Chik Weng, Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani and Khalid bin Sufat. Dr. Leong Chik Weng assumed the position of Chairman of the Remuneration Committee on 5 October 2010 whilst Khalid bin Sufat was appointed to the Remuneration Committee on the same day, following the retirement of Tan Sri Datuk Mohamed Khatib bin Abdul Hamid on 17 June 2010.

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 -
    - framework of remuneration for Directors, covering fees, allowances and benefits-in-kind in their work as Directors of all boards and committees;
    - overall annual salary increment guidelines/limits for all non-unionised staff;
    - annual bonus limits/guidelines;
    - ex-gratia for unionised staff; and
    - 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 2010, the Committee met five (5) times, i.e., on 17 March 2010, 23 April 2010, 20 May 2010, 2 November 2010 and 16 December 2010. Dr. Leong Chik Weng attended all five (5) meetings whilst Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani attended four (4) out of the five (5) meetings held in the year under review. Khalid bin Sufat attended the two (2) Remuneration Committee meetings held after his appointment in October 2010.

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.

INVESTMENT & RISK MANAGEMENT COMMITTEE REPORT

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

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

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

Datuk Syed Hisham bin Syed Wazir
(Non-Independent Executive Director)

SECRETARY
Suseela Menon
(Executive Director, UMW Corporation)

The Investment and Risk Management Committee ("IRMC") was established on 20 May 2010. The IRMC is responsible for reviewing the feasibility of new investment and divestment proposals of the non-motor group prior to submission to the Board for approval. The Committee assists the Board in monitoring the performance of each project against original targets, reviewing possible risk factors affecting the project and recommending measures to mitigate such risks. The Committee also oversees the risk management function of the Group.

MEMBERSHIP

Composition

The IRMC comprises four (4) Directors (the majority being Non-Executive Directors), namely, Dr. Leong Chik Weng, who is also the Chairman of the Committee, Dato' Mohd. Nizam bin Zainordin, Dato' Siow Kim Lun and Datuk Syed Hisham bin Syed Wazir. Datuk Syed Hisham bin Syed Wazir was appointed to the IRMC on 1 October 2010 following the retirement of Dato' Abdul Halim bin Harun from the UMW Group.

TERMS OF REFERENCE

Functions

The IRMC's primary functions are as follows -

1. **Investment/Divestment**

- To review and evaluate all non-motor investment and divestment proposals with management and decide on projects to be submitted to the Board for approval, together with additional recommendations thereon, if any.

  In order to arrive at a sound recommendation, the Committee is authorised to call for any additional information that may be required, including research or survey material or presentations from relevant external experts, make site visits, meet relevant persons connected with the project and take any other steps necessary for the purpose of gauging the long-term merits of the investment/divestment.

- To approve any investment/divestment proposal that involves a sum of below RM10 million.

- To conduct periodic monitoring of all approved projects against original targets and to make periodic reports thereon to the Board.

- In the case of projects that do not meet the targets for a prolonged period of time, to make recommendations to the Board on its further continuation or termination.

- To recommend to the Board any proposal for amending the present investment/divestment guidelines, policies or strategies.

- To look into any other relevant matters pertaining to investment/divestment proposals.

2. Risk Management

- To review the risk profile of the Group and risk mitigation action plans.
- To review the risk management procedures and measurement methodologies of the Group and to effect changes thereto, if deemed necessary.
- To monitor the role and efficiency of the various risk management teams at Strategic Business Units level.
- To conduct periodic enterprise risk profile and risk mitigation action plan reviews to ensure effectiveness of the risk management procedures of the Group.
- To provide periodic reports to the Board on Enterprise Risk Management.

Meetings, Quorum and Procedures

The IRMC meets at least three (3) times per annum although additional meetings may be called at any time as and when necessary. 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 Non-Executive Directors. The Committee will decide its own procedures and other administrative arrangements.

Since establishment, the Committee met six (6) times, i.e., on 15 July 2010, 3 August 2010, 20 August 2010, 19 October 2010, 29 November 2010 and 16 December 2010. Dr. Leong Chik Weng, Dato' Mohd. Nizam bin Zainordin and Dato' Siow Kim Lun attended all the six (6) meetings held in the year under review whilst Datuk Syed Hisham bin Syed Wazir attended all three (3) meetings held after his appointment in October 2010.

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 IRMC meeting. The approved minutes of the IRMC meetings are forwarded to Board members for information and significant issues are discussed at Board Meetings.

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.

OIL & GAS
UMW Petrodril (Malaysia) Sdn. Bhd.
UMW Pressure Control Sdn. Bhd.
UMW Petrodril Siam Co., Ltd.

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.

UMW Lubricant International Sdn. Bhd.

Lubritech International Holdings Limited, Hong Kong
Lubritech Limited, China

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

MK Automotive Industries Limited
UMW Dongshin Motech Private Limited, India

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

UMW

UMW HOLDINGS BERHAD 090278-P

UMW PETROPIPE (L) LTD.
LL03753

OIL & GAS

UMW China Ventures (L) Ltd.
WSP Holdings Limited, China
First Space Holdings Limited, British Virgin Islands
Wuxi Seamless Oil Pipe Co., Ltd., China

UMW Oilfield International (L) Ltd.
Tubulars International Pte. Ltd., Singapore

UMW ACE (BVI) Ltd., British Virgin Islands
Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China

UMW Linepipe (L) Ltd.
Shanghai BSW Petro-pipe Co., Ltd., China

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China
Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China
Xi'an Changqing Tube-Cote Petroleum Pipe Coating Co., Ltd., China
CNOOC Tube Cote Coating Tianjin Pipe Co., Ltd., China
Tangrong Tube-Cote (Sanxi) Pipe 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
UMW Helmsion Engineering Pte. Ltd., Singapore

Multicoat Coating Technologies Private Limited, India

UMW India Ventures (L) Ltd.
UMW Sher (L) Ltd.
Jaybee Drilling Private Limited, India
United Seamless Tubulaar Private Limited, India

UMW Oilpipe Services (Turkmenistan) Ltd., Turkmenistan

Multicoat Surfaces Private Limited, India

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.

Note: Companies in italics are associated companies of the Group.

CHAIRMAN'S STATEMENT

STRONG ECONOMIC RECOVERY AND IMPROVED CONSUMER CONFIDENCE IN 2010 RESULTED IN HIGH DEMAND FOR OUR PRODUCTS AND SERVICES IN THE AUTOMOTIVE, EQUIPMENT AND MANUFACTURING & ENGINEERING SEGMENTS

Tan Sri Asmat bin Kamaludin
Group Chairman

Dear Shareholders

2010 WAS A SPECTACULAR YEAR FOR THE UMW GROUP, REGISTERING ITS BEST PERFORMANCE IN TERMS OF SALES, PROFIT AND DIVIDEND PAYMENT IN THE ENTIRE CHRONICLE OF UMW. THIS WAS SPURRED BY STRONG CONTRIBUTIONS FROM MOST OF OUR CORE BUSINESSES.

The Automotive Division achieved commendable results, driven by higher sales and favourable foreign exchange rates. Increased activity in the construction, agricultural and logging sectors contributed to the good performance of the Equipment Division. The Manufacturing & Engineering ("M&E") Division also performed well. The Oil & Gas ("O&G") Division is now poised for recovery from its temporary set-back in the last few quarters, having secured contracts for its drilling rigs, NAGA 2 and NAGA 3, commenced certain greenfield projects and achieved overall improvement in performance.

In the face of a challenging global economy, the Group remained resilient and is poised for continued growth, having implemented recovery measures in all its business sectors under the leadership of an experienced and committed management team.

FINANCIAL PERFORMANCE

Group revenue of RM12,820.2 million recorded for 2010 surpassed the RM10,720.9 million recorded in 2009. Strong economic recovery and improved consumer confidence in 2010 resulted in high demand for our products and services in the Automotive, Equipment and M&E segments. On the other hand, slower economic recovery in the O&G Industry adversely affected demand for our oil and gas products and services.

For the financial year 31 December 2010, the Group achieved yet another record profit before taxation ("PBT") of RM1,313.2 million, a 55.1% increase over the RM846.5 million posted in 2009. Higher revenue from our core business segments, improved margins from favourable foreign exchange rates and model mix contributed to the higher profit.

This commendable performance was reflected in a 33.8% increase in earnings per share for the year ended 31 December 2010, to 46.3 sen from 34.6 sen in 2009.

DIVISION HIGHLIGHTS

AUTOMOTIVE

Our Automotive Division continued to retain its market share of 46.4%, from Toyota and Perodua combined, spurred by good sales numbers and favourable exchange rates. Total sales of Toyota and Perodua vehicles was 280,711 units of the Total Industry Volume ("TIV") of 605,156 units in 2010.

Komatsu excavator

Deputy Minister of International Trade and Industry, Dato' Mukhriz Tun Mahathir, and Tan Sri Asmat Kamaludin during the line-off ceremony of the 200,000th unit Viva

Perodua retained its position as the No.1 car company in Malaysia for the 5th consecutive year with its MyVi, Viva and Alza.

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") expanded its export business to RM915 million, a 36% increase compared with the RM670 million in 2009. This came mainly from the export of vehicles to Thailand and multi-sourcing parts to some Toyota affiliates in the Asia-Pacific region.

As part of our continuous quality enhancement and efficiency improvement, we have now embarked on a three-year investment plan in respect of our new centralised stockyard, CKD Camry and network expansion projects, amounting to approximately RM1 billion.

Toyota Corolla Altis

The recent Great Eastern Japan earthquake and the consequent tsunami have affected a number of industries across the world, including the Automotive Industry. In view of some disruptions in the supply of critical parts from Japan, as advised by Toyota Motor Corporation, Japan, UMW Toyota Motor had made certain adjustments to its production plan in late April 2011. However, the parts supply situation is expected to return to normal earlier than expected and as such, UMW Toyota Motor will resume near-normal production levels before end May 2011.

In the case of Perodua, there were minimum disruptions to supply. Production is currently at normal levels.

EQUIPMENT

The implementation of the various stimulus packages by the Malaysian Government resulted in a high level of activities in the construction, logging, agricultural and mining sectors in the first half of 2010. Economies of the countries where UMW has presence also reported strong growth, leading to demand exceeding supply for some of our heavy equipment, thus enabling the Equipment segment to outperform its internal targets set for 2010.

Our Singapore operations registered growth in both revenue and profit in 2010 following the strong recovery in all sectors of the Singapore economy. According to the Japan Industrial Vehicle Association, our Toyota industrial equipment remains the market leader in Singapore, achieving a new record market share of 62.8% in 2010. Demand for our heavy equipment in Singapore also saw a double-digit growth of 20% in 2010. In Malaysia, our supremacy in the material handling equipment business was undisputed, with market share exceeding 60% in the forklift segment in 2010.

Another benchmark was set in the first quarter of 2011 when UMW Engineering Services Limited, Myanmar, secured orders to supply a fleet of 250 units of medium and large-sized Komatsu mining equipment at a value exceeding RM300 million from a consortium of jade miners.

Sales to the mining industry contributed to approximately 30% of UMW Niugini Limited's revenue in 2010. We have consolidated our Papua New Guinea operations in an effort to streamline and further improve controls and management.

MANUFACTURING & ENGINEERING

A consolidation and rationalisation exercise involving our M&E Division was carried out in 2010 to further improve efficiency. In 2010, the Specialty Equipment operation of UMW Advantech Sdn. Bhd. which involves low technology, cut-and-weld fabrication, making trailers, attachments and rail components, was divested under an MBO exercise. Our M&E Division is now predominantly in the lubricant and automotive component manufacturing businesses.

KYB-UMW Malaysia Sdn. Bhd. and KYB-UMW Steering Malaysia Sdn. Bhd. continued to be the largest shock absorber and power steering pump manufacturers in Malaysia, respectively, and market leaders in the original equipment and replacement markets. The KYB-UMW Group achieved high export sales growth of 46% in value in all its market segments in 2010. Productivity improved with the implementation of the KYB Production System, resulting in a PBT which was 82.8% higher than that of 2009. New market initiatives during the year helped increase business volume by 20%.

In 2010, we acquired the entire shareholding of Pennzoil-Quaker State Company, in Lubetech Sdn. Bhd. and UMW Pennzoil Distributors Sdn. Bhd., to strengthen the Pennzoil lubricant distribution business as part of the Group's strategy to establish itself in the international lubricant arena. At the same time, we secured an exclusive agency from Repsol YPF Lubricantes Y Especialidades, Spain, to manufacture and distribute REPSOL lubricants, in order to position ourselves well in the Asia-Pacific region. Our other in-house brands are GEP and Blue Sky.

As part of our global expansion strategy for lubricants, we have built a blending plant in Xinhui, Guangdong Province, China, positioned to penetrate the China market. The plant, which has an initial annual output capacity of 50 million litres, commenced operations in December 2010. It currently blends and distributes GEP lubricants and is scheduled to produce and market REPSOL in the first quarter of 2011.

Our UMW Dongshin Motech Private Limited ("UMW Dongshin") plant in Pune, India, manufacturing automotive components, went into production in 2010. Plant expansion programmes at Sathya Auto Private Limited and Castwel Auto Parts Private Limited are scheduled to be completed in 2011. All three plants are well-placed within the automotive hubs in India. Our clients include reputed global players such as General Motors ("GM"), TATA Motors ("TATA") and Volkswagen ("VW"). UMW Dongshin is in active collaboration with these companies to expand our portfolio of products and further tap India's robust Automotive Industry. In its first year of operations, the company has secured contracts with VW (supply of 52 parts), TATA Nano (supply of 6 parts) and GM (supply of 9 parts). Delivery to GM commenced in 2010, with scheduled ramp-up of production on other contracts in 2011. UMW Dongshin's commitment to quality and service received recognition from GM by way of the "GM Supplier of the Year Award 2010".

The GSR Pennzoil Racing team

It was a trying year for our semi-conductor operations under Coldfusion Engineering Sdn. Bhd. ("CFE"). The company was set up in 2009 to provide complete turnkey solutions from "design to manufacture" of low temperature co-fired ceramic and thick film technology products for the global electronic industry. We made a strategic decision in 2010 to close our semi-conductor operations under CFE. The primary reason for the decision was the protracted development time involved in the technical aspects of the company's products, coupled with delays in the start-up of operations. The impact of this closure on the Group's bottomline is negligible.

OIL & GAS

2010 was not as smooth as we had expected it to be for our O&G segment. Decrease in drilling activities worldwide in 2009 resulted in a significant drop in demand for Oil Country Tubular Goods ("OCTGs") and drilling services from international markets. Despite the economic recovery and improved consumer confidence in 2010, sales of our oil and gas pipes and services were adversely affected by the slow recovery in the O&G Industry.

Profit contribution from our overseas associated companies dropped due to weak demand for oil and gas pipes. The anti-dumping and countervailing duties imposed by the United States of America on OCTG pipes imported from China continued to adversely affect the performance of our overseas associate, WSP Holdings Limited. In addition, our O&G Division experienced pre-tax losses due to pre-operating expenses incurred on our greenfield investments and new drilling rigs.

Our O&G Division is poised for recovery in 2011 from its temporary set-back in the last few quarters. We expect the division to make a turnaround and generate positive contributions in 2011.

In November 2010, our semi-submersible rig, NAGA 1, was awarded a 5-year extension of contract, valued at approximately USD250 million, with Petronas Carigali Sdn. Bhd. ("PCSB"). Our Jack-up drilling rig, NAGA 2, secured a drilling

Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China launched its Bend-pipes which are used as extensions in the pipeline technology

contract for USD183.12 million with HESS (Indonesia-Pangkah) Limited ("HESS") for the Pangkah WHP-B Development Drilling Programme in the Ujung Pangkah Field, Indonesia, in September 2010. The contract term is approximately 3.7 years. We have also executed a contract with PCSB for the provision of our Jack-up drilling rig, NAGA 3, for PCSB's domestic operations within the Malaysian waters at a contract value of approximately USD41.5 million. The contract is for a duration of one (1) year with two (2) one-year extension options, and is effective January 2011.

Our onshore drilling operations in Oman successfully secured two (2) contracts with Petroleum Development, Oman for the provision of onshore drilling services in Lekhwair, Oman through our Ghazal III and Ghazal IV rigs.

WSP Holdings Limited ("WSP") has been successful in securing new customers in international markets. The company is now pursuing new export opportunities such as the South American market, and has received orders valued at USD91.8 million from Venezuela. WSP is also looking at Ecuador and other countries as well, whilst continuing to cater for the strong China market. Our new green pipe manufacturing plant in Hyderabad, Andhra Pradesh, India, has commenced operations and has made its maiden shipment of 200 metric tons to Oil Country Tubular Limited, India, in August 2010.

Looking to the future, the Group intends to consolidate its oil and gas operations in its efforts to drive recovery and return the Division to profitability. In line with our efforts to ensure smoother operations and effective management of the Group, a realignment of the Management Organisation Structure was undertaken at all levels of the Group.

CORPORATE SOCIAL RESPONSIBILITY

UMW's commitment to Corporate Social Responsibility ("CSR") remained unshakeable in 2010. Our contribution to worthy causes went beyond providing financial support, as we continued to offer our time, attention and expertise through our employee volunteer programme. Our volunteers are known as the "UMW Community Champions". From June 2009 to December 2010, the UMW Community Champions spent a total of 4,331 hours in service to the community.

In tandem with the growth of our business, we have expanded and improved on our anchor CSR programmes, particularly in the areas of education and environment. The number of adopted schools under our PINTAR (Promoting Intelligence, Nurturing Talents, Advocating Responsibility) Programme for example, increased from four (4) schools in 2009 to seven (7) schools in 2010. A total of RM189,186 was spent on our PINTAR Programme for the year, in order to meet the PINTAR objective of improving the academic performance of students in rural areas.

The UMW Green Challenge, an environmental education programme for youth, celebrated its sophomore year by inviting schools from a wider area in the Klang Valley, to help combat climate change and global warming.

The UMW-MERCY CSR partnership continued on its mission to bridge the healthcare divide in 2010. Since the partnership was formalised in December 2008, we have provided MERCY Malaysia with close to RM1.2 million in funding for various community health projects in Sabah and Sarawak.

The annual Toyota Classics concert returned with a spectacular performance by Italy's renowned orchestra, Citta di Firenze. The show raised a total of RM338,028, benefitting four (4) different charitable organisations throughout the country. The year 2010 also marked the 10th anniversary of UMW Toyota Motor's other mainstay CSR programme, the Toyota Eco Youth.

In contributing to the growth and well-being of the wider community, we have of course, not forgotten our employees. A big part of our CSR efforts are dedicated towards staff training and development, as well as their health, comfort and safety in the workplace.

DIVIDEND

The Board is pleased to recommend a final single-tier dividend of 13.0% or 6.5 sen per share of RM0.50 each (2009 - 18.0% or 9.0 sen per share) for the financial year ended 31 December 2010. The amount of net dividend payable is approximately RM75.9 million (2009 - RM102.6 million). The proposed final dividend, if approved by shareholders, will be paid on 10 August 2011.

The annual dividend per share would be a gross dividend of 60.0%, amounting to approximately RM347.3 million net dividend. This payout represents approximately 76.2% of the 2010 net profit attributable to shareholders of UMW (net of unrealised gains) against our target headline Key Performance Indicator for dividends of at least 50%.

PROSPECTS AND FUTURE DIRECTION

As we move beyond the recessionary times of the past year, we are aware that our businesses need to be equipped to face the realities of an unpredictable world economy. Stiffer competition can be expected in all our industries while operating costs may rise.

Toyota Eco Youth programme entered its 10th year

The year 2010 saw signs of general recovery from the global economic crisis. The Malaysian economy experienced a strong resumption of growth in 2010 with an expansion of 7.2%, underpinned by strong expansion in domestic activities and greater integration with the region. Bank Negara Malaysia has forecasted a 5% to 6% growth rate for the country in 2011. The growth momentum is expected to be driven primarily by robust domestic demand, emanating from private sector activities. 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. Various projects and initiatives by the government under the National Economic Transformation Plan ("ETP"), have been launched and are expected to generate RM36 billion in gross national income. This will have a positive impact on all sectors of the economy including the Automotive sector.

In the Automotive Industry, domestic automotive TIV is forecasted at 618,000 units in 2011 and this will propel an increase in production volume and positive growth in revenue. Although intense competition can be expected, we will make every effort to maintain our profit performance targets.

We expect production adjustments arising from the Great Eastern Japan earthquake to be temporary until Japan resumes full production. UMW is poised to take advantage of any upswing in demand when it happens, through our three-year investment plan of RM1 billion for improvement of our facilities and operations. In addition, we are confident that the launch of a new model from Perodua will help us to maintain our combined market share of about 46% of TIV in 2011.

The outlook for the equipment business is expected to remain positive in line with the economic growth of the country. Key initiatives under the ETP augur well for the sector with increased FDI and domestic investment. In addition, the Tenth Malaysia Plan and 2011 Budget with a target to achieve a GDP growth of 6% in year 2011, will sustain the local economy and development activities, driving growth in the construction, agricultural, logging and mining sectors.

Contribution from our M&E segment is expected to grow in 2011 as all our automotive component plants in India will be in full production. Consumer sentiment will remain strong with gradual shift in customer preference towards "green and cost-efficient" products. Stronger growth in the export replacement market is expected due to access to new markets in China.

The O&G Division is poised for recovery in 2011 from its temporary set-back in the last few quarters of 2010, following contracts secured with PCSB and HESS. The forecasted price increase of crude oil in 2011 will induce more exploration and drilling activities by oil companies resulting in more contracts for oil and gas service providers and line pipe manufacturers.

ACKNOWLEDGEMENT

I would like to express my appreciation to all our employees for their dedication, support, commitment and untiring efforts in delivering yet another outstanding performance in 2010. I look forward to their continuous support in the years ahead.

My appreciation also goes to my fellow Board members, whose guidance and advice have greatly supported management's efforts in realising the Group's corporate, financial and business objectives.

My heartfelt gratitude goes to Dato' Abdul Halim bin Harun for his valuable contributions to the UMW Group as a member of the Board since October 1990, and as President & Group CEO from April 2001 to September 2010. Although retired, Dato' Abdul Halim remained as advisor to the new President & Group CEO, Datuk Syed Hisham bin Syed Wazir (who was appointed to the Board on 1 October 2010), until 15 November 2010, to ensure a proper familiarisation and handover process. I wish Dato' Abdul Halim and his family good health and the very best for their future. The UMW Group extends a warm welcome to Datuk Syed Hisham.

I would also like to extend a warm welcome to the new members of the Board, Khalid bin Sufat who was appointed Independent Non-Executive Director on 1 September 2010 and Wan Kamaruzaman bin Wan Ahmad who was appointed Non-Independent Non-Executive Director on 1 January 2011. I look forward to their contributions and services.

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

ASMAT BIN KAMALUDIN
Group Chairman

31 May 2011

REVIEW OF OPERATIONS

2010 WAS A YEAR OF RECOVERY FROM THE GLOBAL FINANCIAL CRISIS OF 2009. THE UMW GROUP, THROUGH ITS SOUND MANAGEMENT AND GLOBAL EXPERIENCE, ROSE ABOVE THE CHALLENGES TO DELIVER YET ANOTHER RECORD-BREAKING PERFORMANCE, DUE TO THE COMBINED EFFORTS OF ITS STRATEGIC BUSINESS UNITS.

DATUK SYED HISHAM BIN SYED WAZIR
President & Group CEO

The new Lexus LS 600hL & RX 450h were unveiled in November

AUTOMOTIVE

Total Industry Volume ("TIV") in 2010 out-performed the forecasts, registering 605,156 units, a 12.7% increase over the 2009 TIV of 536,905 units. The strong economic recovery and improved consumer confidence resulted in high demand for our products. This was further boosted by the introduction of new variant/ facelift Toyota and Perodua models. Toyota and Perodua vehicle sales was 280,711 units, representing 46.4% of the total TIV of 605,156 units as reported by the Malaysian Automotive Association for the financial year ended 31 December 2010.

UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor")

The Toyota marque continued to maintain its position as the leader in the non-national car category for the twenty-first consecutive year, with total sales of 92,070 units, representing 15.2% of 2010 TIV. The Toyota Camry, Vios, Prius, Hilux and Lexus RX350 remained No. 1 in their respective segments.

2010 also saw the Toyota Vios, Altis, Hilux 3.0i, Rush and Lexus (LS460, IS250, RX270, LS600hL (Hybrid), RX450h (Hybrid) variants) going through some minor changes. Vios continued to be a popular model, with 33,674 units sold in 2010 compared to 29,387 units in 2009. Hilux too continued to be a core model, selling 18,601 units in 2010 compared to 14,572 units in 2009.

A big factor behind UMW Toyota Motor's success is its commitment towards maintaining quality standards in all aspects of its business. This requires ensuring that things are done right the first time and that waste and defects are eliminated as far as possible from operations. UMW Toyota Motor has incorporated Quality Management practices, methodology and mindset amongst each and every employee and in 2010 the overall Quality Control Circle ("QCC") project performance improved from 41% to 75%.

Assembly Services Sdn. Bhd. ("ASSB")

2010 was a good year for ASSB with better overall performance as ASSB achieved higher production volume within its existing facilities, capacity and resources.

In its continuing efforts to uplift performance and quality, ASSB implemented Plant Management Requirement steps to streamline safety, quality, machine maintenance, cost, production control and logistics, environment and human resource. ASSB also continued Kaizen initiatives through Jiritsuka activities where "Non-Defect Conditions" are pursued and safety hazards are ranked down amongst other activities. On human development, ASSB embarked on the manpower Henkaten ("Changing Points") Management system to ensure smooth production when faced with daily changing conditions. These efforts ultimately led to better safety, quality and cost efficiency key performance indicators.

To improve the quality of local suppliers, a Supplier Kaizen unit was set up. Local suppliers were exposed to the TOYOTA Production System ("TPS"), which focuses on Process Improvement, Introduction of Heijunka Pull System, Shipping Management and Visualisation, Big Island Concept and Change Time Rebalancing.

Achievements by ASSB in 2010 included being nominated for the Toyota Global QCC Award by Toyota Motor Corporation, Japan, champion of the PNB Innovation and Quality Day (GT1), first runner-up for Facilities

& Maintenance, and second runner-up for CKD in the 2010 QCC Grand Convention.

Automotive Industries Sendirian Berhad ("AISB")
AISB managed to remain competitive in its production of the exhaust system and continued to receive all the new core models project awards from major car manufacturers. This contributed to AISB's market share increase in the original equipment market exhaust system from 94% (2009) to 97% (2010).

In 2010, AISB was awarded the supply of catalytic converters for Proton turbo engines and CPS upgraded engines. AISB also secured a contract to supply exhaust systems to BMW Malaysia. This achievement will spearhead the start-up of AISB's venture into the segment of exhaust system production for luxury cars.

In the year under review, AISB implemented smooth production of the catalytic converter manifold for Perodua, which was introduced towards the end of 2009. AISB launched three (3) main programmes namely the 3-year TPS Programme, Operation KAIZEN (LIMO-Less is More) and Safety Improvement Programme, to improve current processes and production systems, work environment and enhance employees' knowledge of TPS.

Toyota Boshoku UMW Sdn. Bhd. ("TBU")
The TBU Plant 3 started its operations in Pekan, Pahang in September 2010 to supply Suzuki Swift seats, previously assembled in TBU Shah Alam, to Hicom Automotive Manufacturing, Malaysia.

In order to remain cost competitive, TBU continued with its cost-reduction measures via materials re-sourcing and negotiations. 2010 saw several new facelifts for Vios that included new "G" grade leather seats, TRD sportivo seats and door trims. The company was made the contract supplier by ASSB for the Vios package tray. TBU intends to secure new customers other than Toyota, Hino and Suzuki and to venture into supply of new parts other than its traditional seats and door trims. The company is also gearing up production preparation for the Camry CKD introduction in 2012 through commissioning of the second plant and the introduction of a new process for package tray.

Hilux 3.0G made its debut in October

Launch of Viva Elite Exclusive Edition

Perusahaan Otomobil Kedua Sdn. Bhd. Group ("Perodua")
Perodua retained its position as the No. 1 car company in Malaysia for the fifth consecutive year.

Sales of Perodua vehicles improved by 13.1% from 166,736 units in 2009 to 188,641 units in 2010. The introduction of two facelift models, namely MyVi Limited Edition and Viva Elite Exclusive Edition, and an additional variant, i.e., Alza Advanced Version in 2010, boosted further the demand for Perodua models. MyVi and Alza remained top-selling vehicles in their respective categories. Alza was in its full year production and sales since its launch in late 2009.

2010 also saw Perodua winning various accolades such as the Frost & Sullivan's 2010 Best Practices award for "Best Passenger Car Value for Money Model of the Year" for Viva, the Asian Auto-VCA Auto Industry award for "Best Local Assembly Family Car" and "Autocar Asean Awards 2010" for Alza and Autoworld's awards for "Autoworld Members' Choice" and "Best Passenger Car: Super Compact" for MyVi and "Best MPV: Compact Mid-Sized" for Alza.

Perodua participated in the Kuala Lumpur International Motorshow

2010 held at the Putra World Trade Centre from 2 to 12 December 2010, where it unveiled its next generation concept car model, the Perodua Bezza, which will be the basic blueprint for Perodua's medium-term vehicles.

Perodua's exhibition themed "Ecology, Economy and Exciting for Everyone" also showcased its engine development road map, from the maximisation of the current combustion engine to the introduction of the Precious Metal-free Liquid-feed Fuel Cell, which can revolutionise the Automotive Industry in Malaysia.

EQUIPMENT

The Equipment segment continues to show strong results, benefitting from a high level of infrastructure and construction activities locally as well as in all the economies of the countries where our Equipment Division has presence.

Case backhoe loaders

The Equipment operations turned in higher contributions to the Group in terms of revenue and profit in 2010. The group achieved new records in revenue performance (33.8% increase in 2010 compared to 2009) and PBT (24.4% increase in 2010 compared to 2009), largely attributable to increased activities in the construction, logging, agricultural and mining sectors.

HEAVY EQUIPMENT

UMW Equipment Sdn. Bhd. ("UMW Equipment")/UMW (East Malaysia) Sdn. Bhd. ("UMW EM")/ UMW Niugini Limited, Papua New Guinea ("UMW Niugini")/UMW Engineering Services Limited., Myanmar ("UMW ES")

UMW Equipment remained the market leader (overall market share increased to 37.5% in 2010 from 36.1% in 2009), mainly from higher Komatsu machine, parts and service sales. Similarly, UMW EM's competitive edge in after-sales service support, market coverage and proven machine performance and durability, has also contributed to the increase in Komatsu market share in East Malaysia.

Numerous projects implemented by the government under the stimulus package coupled with the strengthening of the Malaysian Ringgit contributed to the record performance of the Malaysian operations. Business outlook remains positive with continued strong demand for the group's products and prospects of broader economic recovery globally.

Sales to the Mining Industry contributed to approximately 30% of UMW Niugini's revenue in 2010. We have commenced a consolidation exercise for our PNG operations, in an effort to streamline and further improve controls and management.

Myanmar operations registered a new record in performance in spite of a difficult business environment besieged by political and security uncertainties and the renewal in trade sanctions on the country by the United States of America and the European Union and the strengthening of the Japanese Yen against the US Dollar.

In the first quarter of 2011, another benchmark was set as UMW ES secured orders to supply a fleet of 250 units of medium and large-sized Komatsu mining equipment at a value exceeding RM300 million from a consortium of jade miners.

INDUSTRIAL EQUIPMENT

UMW Industries Sdn. Bhd. ("UMW Industries")

UMW Industries' supremacy in Malaysia's material handling equipment business continued to be undisputed, with a hefty market share exceeding 60% in the forklift segment in 2010.

In the year under review, several customer-focused programmes and sales initiatives were implemented, such as technical workshop and personalised technical training sessions for fleet customers, safety campaigns to raise awareness towards safer and healthier work environment, Regional Customer Day for customers to "Touch & Feel" the latest range of products, trade exhibitions to show-case products and services, tailored After-Sales Service programmes and Equipment Trade-in and Easy Ownership programmes, to help build a stronger image for UMW Industries and to maintain trusted business relationships with its customers as well as reinforce its position as a market leader.

A significant achievement for UMW Industries in 2010 was the award accorded for the second time to the company and five (5) of its branches in Ipoh, Butterworth, Johor Bahru, Kuantan and Melaka by Toyota Industries Corporation for successfully undertaking the After-Sales Service Evaluation & Certification programme.

Toyota 8 Series LPG forklifts

UMW Industrial Trading (Shanghai) Co., Ltd., China ("UMW Industrial Trading")/UMW Industrial Equipment (Shanghai) Co., Ltd., China ("UMW Industrial Equipment")
Total market size expanded sharply, assisted by the government's ongoing stimulus package. However, the locally-manufactured Chinese brands continued to dominate almost 80% of total demand.

Toyota Industries Corporation started launching its first China-made forklifts in September 2010 with more models being planned in the coming years. This will benefit the company as it will ensure a better matching of models to customers' cost requirements.

UMW Industrial Power Sdn. Bhd. ("UMWIP")
UMWIP market share for marine engines sustained at 15% despite declining activities in the Shipping Industry. However, market share for air compressors increased from 6% to 8% arising from stronger demand in the industrial sector especially the Electronic and Electrical Industry. The company secured its first orders for Cameron reciprocating compressors in May 2010 for delivery in March/April 2011. UMWIP also managed to secure its first orders for CompAir air compressors for oil and gas application, in June 2010.

SINGAPORE EQUIPMENT OPERATIONS

UMW Equipment & Engineering Pte. Ltd., Singapore ("UMW EEPL")
The manufacturing sector saw a huge rebound (in particular the biomedical segment) as a result of an upsurge in exports to Europe, China and Japan.

UMW EEPL registered growth in both revenue and profit in 2010 over the previous year following the robust recovery in all sectors of the Singapore economy. Revenue improved by 17.2% whilst profit before tax increased by 24.2%. According to the statistics provided by the Japan Industrial Vehicle Association, Toyota industrial equipment remains the market leader in Singapore achieving a new record market share of 62.8% in 2010 versus 57.4% in 2009. Demand for heavy equipment also saw a double-digit growth of 20% in 2010 over the previous year.

In recognition of UMW EEPL's exemplary support towards total defence, the company received an award from the Deputy Prime Minister and Minister for Defence, Mr. Teo Chee Hean, on 28 July 2010.

UMW Equipment Systems (Vietnam) Company Limited, Vietnam ("UMW ESV")
Despite a strong recovery from 2009, Vietnam's economy was adversely affected by low reserves giving rise to a weak currency from the three official devaluations in 2010. This resulted in inflation mainly from higher import cost on fuel. Interest rates remained fairly high, affecting investor sentiment and slowing down foreign investment inflows.

Faced with a weak currency situation, UMW ESV continued to further strengthen its after-sales operations to build solid customer trust and lay a stronger business foundation. The company also strengthened its business presence in the fast-growing northern region of Hanoi to capture opportunities from the inflow of foreign investors.

OIL & GAS

MANUFACTURE OF OCTG AND LINE PIPES

Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China ("Zhongyou BSS")
Zhongyou BSS's core business is in manufacturing and sales of large diameter Longitudinal Submerged Arc Welded and Spiral Submerged Arc Welded steel pipes and Bend-pipes for transmission of oil and gas. The Bend-pipes production line was completed in February 2010.

Through R&D, Zhongyou BSS developed offshore pipes for undersea pipelines. The company also established a monitoring system for cost control and continued to optimise production, which resulted in improved cost competitiveness, better productivity and lower cost of production. Market trend is expected to be positive with the commencement of construction of China National Petroleum Corporation's ("CNPC") major pipeline projects in 2011.

In 2010, Zhongyou BSS was accredited the API Monogram, ISO9001:2008 certification, Quality Certification (GOST-R) for exports to Russia and became a certified supplier to the Royal Dutch Shell Group and Australia Petroleum Company.

UMW Petrodril (Malaysia) Sdn. Bhd. achieves 1 million manhours with zero lost time incident (LTI).

Shanghai BSW Petro-Pipe Co., Ltd., China ("Shanghai BSW")
Shanghai BSW's core business is in the manufacturing of Spiral Submerged Arc Welded pipes and the provision of external and internal coating for line pipes.

The company's market share in China sustained at around 5% in 2010. Demand for line pipes in the mid-term is promising with major projects from CNPC and the general market, due to the increasing need for oil-related products in China.

Shanghai BSW successfully renewed its ISO9001 certification and received the Excellence Supplier award, Excellence Coating Enterprise award and Excellence Pipe Making Enterprise award in 2010. More importantly, it obtained the Certificate of Authority to use the Oilfield API Monogram from American Petroleum Institute.

WSP Holdings Limited, China ("WSP")
WSP Holdings Limited is listed on the Stock Exchange of New York. The company develops and manufactures seamless OCTGs, including seamless casings, tubings and drill pipes used for onshore and offshore oil and gas exploration, drilling and extraction, and other pipes and connectors. It offers a wide range of American Petroleum Institute ("API") and non-API seamless OCTG products, including products that are used in extreme drilling and extraction conditions. These products are used in China's major oil fields and are exported to oil-producing regions throughout the world.

In 2010, WSP continued to be affected by anti-dumping and countervailing duties imposed by USA on OCTGs produced in China. The company is now pursuing new export opportunities such as the South American market, to broaden its customer base. It has received orders of approximately USD91.8 million from Venezuela and is looking at Ecuador and other countries as well, whilst continuing to cater for the strong China market.

United Seamless Tubulaar Private Limited, India ("USTPL")
Construction of the plant in Hyderabad, India, has been completed and the plant commenced operations in August 2010. USTPL, which manufactures seamless pipes for the oil and gas sector in India, Middle East and the USA, made its first shipment of 200 metric tons of pipes to Oil Country Tubular Limited, India in the same month.

OIL AND GAS EXPLORATION OPERATIONS

UMW JDC Drilling Sdn. Bhd. ("UMW JDC")
UMW JDC provides drilling and other engineering services for oil and gas exploration, development and production.

During the year, UMW JDC operated the semi-submersible rig, NAGA 1, which continued to work offshore Terengganu, Sabah and Sarawak. The company completed its 20 firm wells contract in the year under review. In November 2010, the NAGA 1 was awarded a 5-year extension of contract, valued at approximately USD250 million, with Petronas Carigali Sdn. Bhd. ("PCSB").

UMW JDC's outstanding performance was duly recognised when it received the International Association of Drilling Contractors award for achieving 10 years without Lost-Time-Incident and PCSB's award for 250 days free of total recordable cases.

UMW Standard Drilling Sdn. Bhd. ("UMWSD")
UMWSD performs contract offshore drilling business and operations and other engineering services for oil and gas exploration, appraisal, development and production in Malaysia and overseas.

In August 2010, UMW announced the award of a contract by HESS (Indonesia-Pangkah) Limited ("HESS") for the provision of NAGA 2 Jack-up drilling rig and drilling services at a value of USD183.12 million for the Pangkah WHP-B Development Drilling Programme ("Drilling Contract") to P.T. Isis Megah, the joint operator and local agent of UMWSD. Subsequently, in November 2010, UMWSD entered into a Drilling Services Assistance Cooperation Agreement with P.T. Isis Megah and P.T. Harmoni Drilling Services to regulate and formalise the conduct of business process and cooperation in relation to the provision of NAGA 2 and the performance of the Drilling Contract. NAGA 2 has been income-generating since September 2010.

UMWSD executed a contract with PCSB for the provision of our Jack-up rig, NAGA 3, for PCSB's domestic operations within the Malaysian waters at a contract value of approximately USD41.5 million. The contract is for one (1) year with two (2) one-year extension options, and is effective January 2011.

UMW Sher (L) Ltd./Jaybee Drilling Private Limited, India ("Jaybee Drilling")
Jaybee Drilling is in the business of providing onshore drilling services

to the exploration and production companies in India. UMW Sher is the asset owner, holding all new assets required for the operations of onshore drilling activities undertaken by Jaybee Drilling.

Day rates for the onshore drilling industry have become very competitive and as such, continuous cost reduction measures are being undertaken to ensure that the company remains competitive. Jaybee Drilling intends to shift its focus to provide integrated services to meet the growing customer demand.

The year saw UMW Sher's onshore drilling rig, Sher 2, winning a safety award from one of the company's major customers, Oil India Limited.

Arabian Drilling Services L.L.C, Oman ("ADS")

ADS provides onshore drilling services to local, regional and international clients. Currently, the company owns five (5) US-made super-single onshore drilling rigs. Ghazal I, a 750 hp rig, is on a 1-year dry lease contract with Academy Drilling, USA, from May 2010. Ghazal III and IV, both 1,000 hp rigs, have been on long-term contracts with Petroleum Development of Oman, a Shell operating company, since May 2010. In October 2010, despite tough competition from over 15 companies, ADS was awarded a new contract for Ghazal V from MEDCO of Oman. Operations are expected to commence in May 2011.

FABRICATION OF OIL AND GAS AND OTHER STRUCTURES

UMW Fabritech Sdn. Bhd. ("UMW Fabritech")

UMW Fabritech is in the business of providing sandblasting, priming, coating, testing, inspection, repair, maintenance and repair services for equipment and tubes as well as fabrication services to the Oil & Gas ("O&G") Industry.

The market in 2010 was generally stagnant except for the demand for specialised coating and plant maintenance work in the East Coast of Peninsular Malaysia. UMW Fabritech implemented a turnaround programme in 2010. This involved a hands-on approach in managing every level of the company and a closer monitoring of cost control measures that resulted in better procurement, efficient production and improved productivity.

In the year under review, the company was awarded several certifications by Moody International Certification (Malaysia) Sdn. Bhd., namely, for Quality Management (ISO9001:2008), Environmental Management (ISO14001:2004), Occupational Safety & Health Management (OHSAS 18001:2007) and Integrated Management (IMS1722 Part 1:2005).

Vina Offshore Holdings Pte. Ltd., Singapore ("Vina Offshore")

Vina Offshore procures and supplies material and equipment, construction process skids and modules, steel structures, process piping, supply and inspection services of lifting accessories and equipment for companies operating in the O&G Industry.

A strategic alliance with engineering houses such as Uhde Shedden was undertaken to increase engineering capabilities, while possible collaborations with PetroVietnam subsidiaries were explored to take on various PetroVietnam oil and gas jobs.

Offshore Construction Services Pte. Ltd., Singapore ("Offshore Construction")

The principal activities of Offshore Construction are the provision of fabrication services to the Marine Industry, turnkey projects and other engineering services.

In 2010, Offshore Construction set up a Business Development Division to concentrate on securing new businesses and to focus on client relationship. The company also completed its jetty development/enhancement project to secure fabrication business involving heavy or large structures.

Offshore Construction received accreditation and certification from the National Board of Boiler & Pressure Vessel Inspectors to use the "NB" mark, "R" symbol and ASME "U" stamp. Offshore Construction also received the 23rd Annual Singapore 1000, SME 500 Company 2010, Singapore International 100 Ranking Certificate of Achievement and the 4th Annual SME Growth Excellence Recognition 2010 - Top Internationalising awards.

PROVISION OF OILFIELD SERVICES

UMW Petrodril (Malaysia) Sdn. Bhd. ("UMW Petrodril")/UMW Pressure Control Sdn. Bhd. ("UMW Pressure Control")/UMW Petrodril Siam Co. Ltd., Thailand ("UMW PSC")

UMW Petrodril's primary business is in the provision of Hydraulic Workover Units ("HWU") and associated services which involve remedial works for existing wells to restore and enhance the production of hydrocarbon. The company owns and operates four HWUs namely UP GAIT I, UP GAIT II, UP GAIT III and UP GAIT IV.

UMW Fabritech Sdn. Bhd. earned four certificates from Moody International Certification (Malaysia) Sdn. Bhd. i.e., ISO 9001, ISO 14001, OHSAS 18001 and IMS1722

UMW Petrodril has 100% market share in Malaysia as it is the only local owner and operator of HWUs licensed by PETRONAS. The company is currently the sole provider of well workover services to PCSB and other PETRONAS production contractors.

UMW Petrodril's workover services have received the PETRONAS HSE Special Award in recognition of the 250 days of Free Total Recoverable Case and appreciation for contribution on Non-Performing Time Reduction. UMW Petrodril was also recognised for its Million Safe Man-hours with Zero Lost Time Injury through its HWUs in the domestic workover operations, i.e., UP GAIT II and UP GAIT III for the 2009/2010 operations. The company has received accreditation for QMS ISO9001:2008 certification from Bureau Veritas in 2010.

UMW Pressure Control, a joint venture company between UMW Petrodril and Snubco Pressure Control International Ltd. of Canada, was formed in late 2009, to provide hot-tapping/gate valve milling and other pressure control services in Malaysia and the region. To-date, UMW Pressure Control has carried out several major gate valve milling projects for Brunei Shell Petroleum since its inception in August 2009. Despite stiff competition, UMW Pressure Control has secured contracts with Exxon Mobil Malaysia and PCSB and expects to secure more milling jobs in Malaysia especially from PCSB and Shell Sarawak/Sabah.

In 2010, UMW PSC, an associate company of UMW Petrodril, was incorporated in Thailand as part of UMW Petrodril's initiative to gain a foothold into Thailand and to exploit opportunities with oil and gas companies in Thailand.

UMW Oilpipe Services Sdn. Bhd. ("UOS")

UOS owns and operates Malaysia's premium threading plant for OCTG, located at the Asian Supply Base, Labuan. The East and West plants are well-equipped with facilities that meet the needs of drilling companies and contractors operating in Sabah, Sarawak and Brunei.

Despite being the market leader in OCTG threading, with a 60% market share in East Malaysia for the past three (3) years, the global slowdown in the oil and gas sector affected the performance of the company.

UOT (Thailand) Limited, Thailand ("UOT")

UOT is the machine shop operator for manufacturing and repairing threads for OCTGs and related accessories.

UOT market share in 2010 was maintained at 80%. The company registered a marginal increase in revenue and operating profit in the year under review. UOT has received orders from Dutch Lubricator Sub, which in the past had been ordering from overseas.

The company was awarded a 3-year contract from Chevron worth RM6.76 million. In February 2010, UOT's Songkhla plant was granted the VAM-TOP licence.

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

UOS Tianjin provides premium connection accessories threading, API connection production and accessories threading, inspection and workshop related services, as well as perforated pipe drilling and drilling tools rental programme.

Despite stiffer market competition and the issuance of more premium connection trading licences by the authorities, UOS Tianjin's market

The CEO Awards saw several winners from the Oil & Gas Division i.e., UMW JDC Drilling Sdn. Bhd., UMW Drilling Co., Ltd., UMW Petrodril (Malaysia) Sdn. Bhd. and UMW Oilfield Services (Tianjin) Co., Limited

UMW O&G opens its Singapore Regional Office at No.4, Pandan Avenue

share was estimated at 40%-50% as a result of its competitive strength in providing good quality products and comprehensive services.

In 2010, UOS Tianjin built its own plant and office on newly-acquired land, and plans to operate at the new premises by mid-2011.

Synergistic Generation Sdn. Bhd. ("Synergistic Generation")
Synergistic Generation is a total power solutions provider, including packaging for diesel and gas generator sets. In 2010, the company expanded its business activities to Vietnam and Myanmar.

Synergistic Generation achieved improvement in revenue and profit in 2010 through market share expansion in the region, competitive pricing and international standards application. The company was certified with ISO9001 by DNV in 2010. It is also in the process of obtaining ISO14000 and OSHA18000 certifications.

Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China ("STPPC")
STPPC provides internal coating for drill pipes, tubings, casings and other related products.

Together with four (4) of its associate companies, STPPC commands a market share of about 70%-80%. As oil companies increase exploration and drilling activities, STPPC successfully secured more coating orders due to increase in demand for drill pipe coating services. Its participation in overseas trade shows through the Hilong Group helped the company to increase sales of tubing coatings in 2010.

STPPC introduced a new variant drill pipe coating using powder instead of liquid coating in the year under review. The company also continued to upgrade product quality by implementing new and ongoing rectification measures with a quality control passing rate of 99.9%.

Jiangsu Tube-Cote Shuguang Coating Co., Ltd., China ("JTSC")
JTSC's core business is to provide internal coating services for drill pipes, tubings, casings and others. The company modified its fuel supply system from gas tanks to piped gas, which enhanced safety and clean production at the production site.

During the year, JTSC succeeded in renewing the ISO9000 quality system certification.

UMW Oilpipe Services (Turkmenistan) Ltd., Turkmenistan ("UOS Turkmenistan")
UOS Turkmenistan provides inspection, workshop repair and maintenance services for OCTG and trading. While working towards getting a VAM premium connection licence, the company managed to carry out some trading in 2010 despite the slowdown in the O&G Industry.

SUPPLY OF OILFIELD PRODUCTS

UMW Oilfield International (M) Sdn. Bhd. ("UOIM")/UMW Oilfield International (L) Ltd. ("UOIL")
UOIM and UOIL are involved in the marketing, importation, exportation and distribution of equipment and component parts, providing technical support, consultancy services and general services related to the O&G Industry.

The increase of crude oil prices in 2010 sparked off more upstream activities resulting in more tenders for contracts and projects. While demand for oil and gas remained strong in China, Japan, Korea and Taiwan, the demand for OCTG in the USA was low and prices continued to be under pressure as a result of high stockholding from end-users. UOIL had a successful year in 2010 as the company was able to penetrate into new territories in Turkmenistan, India and China. The company expects to do better in 2011 with the improving demand in USA.

PFP Holdings Pty. Ltd., Australia ("PFP Holdings")
PFP Holdings is an international supplier of pipes, flanges and fittings to the oil and gas and mining sectors, with operations in Australia, Singapore, Malaysia, China and Taiwan.

During the year, PFP Holdings continued cost control initiatives and also developed strategies to market and cross-sell products and services within the UMW Group.

MANUFACTURING & ENGINEERING

During the year under review, the Manufacturing & Engineering Division made a higher contribution to Group profits compared to 2009.

UMW Advantech Sdn. Bhd. ("UMW Advantech")
In February 2010, UMW Advantech divested its Specialty Equipment Division in a move to focus on the Auto Component Division. The latter's scope covers design and manufacturing of automotive filtration systems and components.

UMW is appointed as exclusive principal agent to distribute the REPSOL brand of lubricants throughout Asia

The company maintained the No. 1 position as sole Original Equipment Market supplier for automotive filtration system products in Malaysia.

Combined efforts in improving revenue and driving down costs resulted in better profit performance in 2010. In the year under review, UMW Advantech invested in an additional three (3) injection moulding machines to support Proton's Phoenix project. In addition, the company supplied Perodua with integrated cylinder head cover with air cleaner assembly and introduced GEP lubricants into the replacement market.

Lubetech Sdn. Bhd. ("Lubetech")/ UMW Pennzoil Distributors Sdn. Bhd. ("UPD")

On 29 November 2010, UMW Auto Parts Sdn. Bhd. entered into two separate Share Sale Agreements with Pennzoil-Quaker State Company for the acquisition of the latter's entire shareholding in Lubetech and UPD. The acquisition will enable the Group to strengthen the Pennzoil lubricant distribution business and is part of the Group's strategy to establish itself in the international lubricant arena.

UMW Lubricant International Sdn. Bhd. ("UMW Lubricant")

UMW Lubricant's principal activities are investment holding and trading, marketing and blending of lubricants. On 6 November 2010, the company entered into a Principal Agency Agreement and two (2) separate Subsidiary Agreements ("Repsol Agreements") with Repsol YPF Lubricantes Y Especialidades, S.A. for the appointment of UMW Lubricant as exclusive principal agent for REPSOL-branded automotive, motorcycle, industrial lubricating oils, and selected ancillary products. The preliminary five-year agreements set a milestone partnership with a major European brand and a base strategy for the first phase of the company's expansion programme in Asia.

Lubritech Limited, China ("Lubritech Limited")

Lubritech Limited's principal activities are the production and trading of lubricant oil. The new plant, built on German technology, was constructed at Xinhui District, Jiangmen City of Guangdong Province, China, and completed within 12 months, in December 2010. The lubricant blending plant has an annual capacity of 50 million litres and commenced operations in the final week of December 2010.

During the construction phase, the company embarked on building a regional distributor network and launched the GEP brand of lubricants in the fourth quarter. The first quarter 2011 will see the introduction of REPSOL brand of lubricants in China with a programme to launch and widen its distributor network and the company's product portfolio.

KYB-UMW Malaysia Sdn. Bhd. ("KYB-UMW Malaysia")/KYB-UMW Steering Malaysia Sdn. Bhd. ("KYB-UMW Steering")

KYB-UMW Malaysia and KYB-UMW Steering remained the largest shock absorber and power steering pump manufacturers in the country, respectively, and the market leaders in both the original equipment and replacement markets.

In 2010, the KYB-UMW Group reported growth in all its market segments with export sales having recorded a growth of 46% in value following the strong economic recovery and return of consumer confidence. The implementation of the KYB Production System had helped increase productivity, resulting in an improved profit before tax, 82.8% above that of 2009. The company's marketing strategies led to an increase in business volume by 20%.

The companies' strong commitment to quality received due recognition with continued certification under ISO/TS16949:2002 certification of NQA, ISO14001:2004 and OHSAS 18001:2007 by Moody International.

Sathya Auto Private Limited, India ("Sathya Auto")

Sathya Auto manufactures mechanical jacks, radiator caps and sheet metal components for the Automotive Industry in India. The company is one of the leading jack manufacturers in India. Its market share position for jacks is expected to be 36% by 2012. Implementation of VA/VE cost reduction measures and automation of the company's production system in 2010 successfully reduced manufacturing cost by 10%. In the year under review, the company invested in a third plant in Mappedu, Chenai, India.

During the same period, the company continued ongoing promotional activities both locally and overseas, participating in major events, such as the Automechanika Frankfurt 2010, to reach further out to principals in the global market.

Castwel Auto Parts Private Limited, India ("Castwel Auto Parts")

Castwel Auto Parts is in the business of manufacturing aluminium high-

Pennzoil's rally car

pressure die cast components. New businesses, additional capacity and improved customer satisfaction made it a good year for the company as all these contributed to an overall increase in components and parts manufactured and sold.

Marketing and promotional activities during the year included participation in the world's leading trade fair for the Automotive Industry, Automechanika Frankfurt 2010, in September 2010.

UMW Dongshin Motech Private Limited, India ("UMW Dongshin")
UMW Dongshin manufactures and supplies automotive upper body parts and assemblies to local car manufacturers in India. The company invested in small and large press lines in the year which will result in a significant increase in production capacity. In its first year of business, the company was awarded contracts to supply parts to Volkswagen ("VW"), TATA Motors ("TATA") and General Motors ("GM"). Supply to GM commenced in 2010 whilst production to VW and TATA is scheduled for commencement in early 2011. The company received the "GM Supplier of the Year Award 2010" from GM in recognition of its focus and efforts on product and service level offerings.

SUPPORT OPERATIONS

Toyota Capital Malaysia Sdn. Bhd. ("TCAP")
In 2010, better collaboration with UMW Toyota Motor spurred continued growth in TCAP's loan assets, driving its market share of the Toyota business to 16.1%. The year also saw the launch of Lexus Access, a comprehensive vehicle lease programme, complementing the existing Lexus Flexi Plan and Lexus Islamic Financing Plan. Lexus Access offers many advantages for those interested in driving a Lexus, viz-a-viz acquiring one via a hire purchase scheme. TCAP also offers financial packages for Perodua and Hino vehicles.

The company continues to face challenges caused by intense competition in auto-financing from competitor banks. TCAP management is focusing on developing innovative financial products.

U E-Technologies Sdn. Bhd. ("UET")
The UMW Group continued to enjoy operational cost-savings and innovation through the effective use of Information Technology ("IT") through its subsidiary, UET.

Innovative IT solutions from UET such as the Electronic Bidding System to support the Group's procurement process as well as the use of Radio Frequency ID technology to enhance inventory management were completed and implemented in the year under review. UET has also provided IT consultancy services to start up the IT systems and infrastructure for Lubritech Limited in China and UMW Equipment Systems (Vietnam) Co. Ltd. in Vietnam.

U-TravelWide Sdn. Bhd. ("U-TravelWide")
In February 2010, U-TravelWide received the "Outstanding Sales Achievement Diamond Award" from Malaysia Airlines System Berhad for the fifth consecutive year. The company was also top agent for other local and foreign airlines such as AirAsia, Firefly, Japan Airlines and Singapore Airlines.

UMW-PNSB Development Sdn. Bhd. ("UMW-PNSB")
UMW-PNSB obtained approval from the Selangor State Government to convert and sub-divide part of its land in Serendah from residential and commercial lots into industrial lots, in the year under review. New title deeds for the land have been issued.

During the year, the company succeeded in disposing another plot of 20.5 acres of industrial land to a local company for development. To-date, a total of 107 acres of industrial land has been disposed. UMW-PNSB continued to collaborate with the Malaysian Industrial Development Authority and Selangor State Investment Centre to market some of the company's land to potential local and foreign investors. Prospects for disposal of more plots of land are expected to be positive in the coming years with the improved economy.

U-Insurance Sdn. Bhd. ("U-Insurance")
U-Insurance, an authorised insurance agent for conventional and Takaful insurance for Etiqa Insurance and Takaful Berhad, MSIG Insurance (M) Berhad and Takaful Ikhlas Sdn. Bhd., remained profitable and self-sustaining. It received the "Top PNB Corporate Agent - Champion" award from Etiqa Insurance Berhad in the year under review. The company has expanded its services through strategic alliances with local and international brokers to extend insurance services to companies in the O&G Group, locally and abroad.

CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors strongly believes that good corporate governance is vital in enhancing long-term performance and continuous growth and success of the UMW Group.

After a number of accolades received in the preceding years, the UMW Group ("the Group") continued to receive recognition for its excellence in corporate governance in 2010. In recognition of its commitment to the highest standards of corporate governance, board independence, consistent dividend policy, prompt disclosure and transparency and excellent financial and risk management, the Group received the award for "Best Corporate/FI of the Year 2009 - 2010 in Malaysia" from Alpha South-East Asia, the region's leading magazine for institutional investors, in July 2010. Later, in October 2010, at the Malaysian Business - CIMA Enterprise Governance Awards 2010, the Group was presented with an overall Merit Award in the main "Enterprise Governance Award" category.

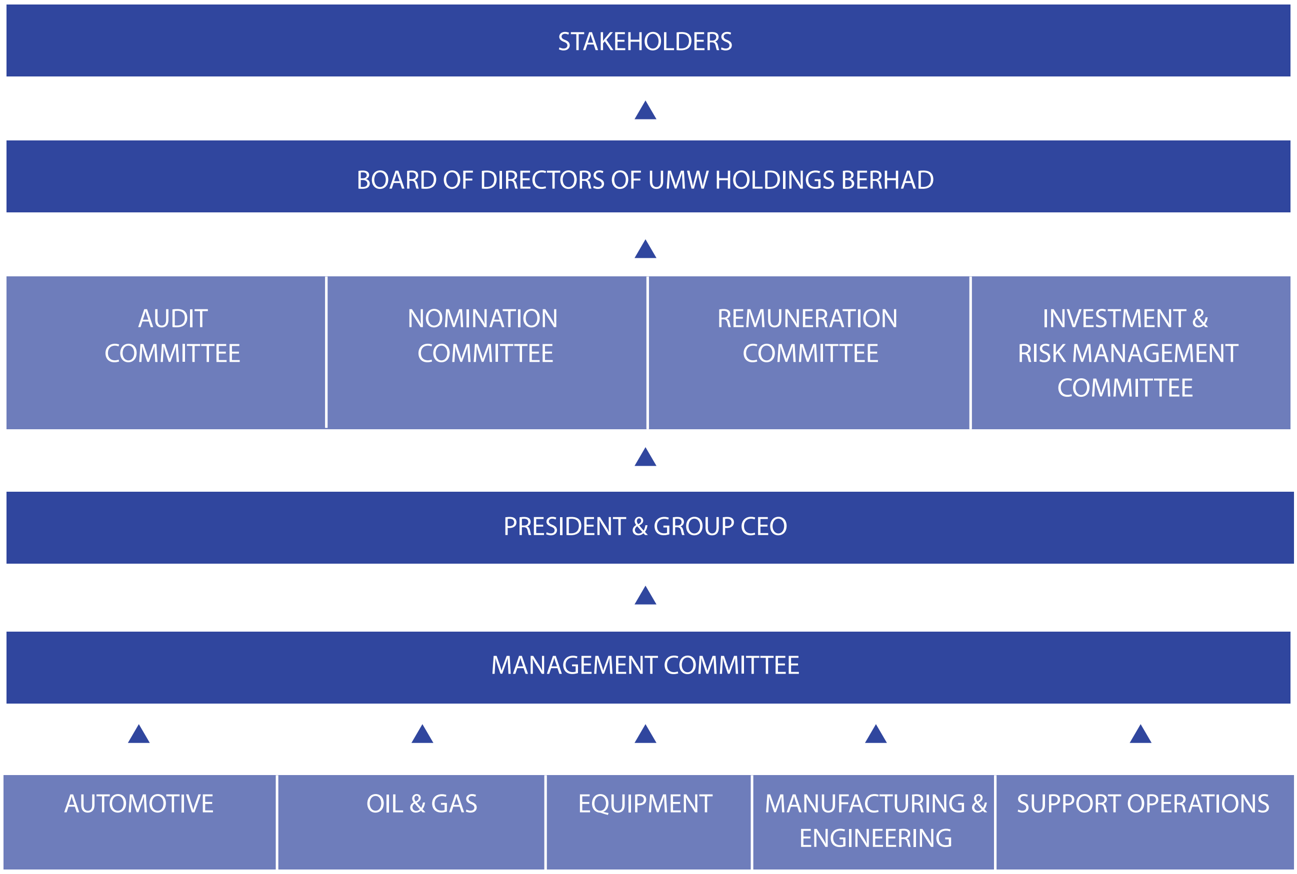
The commitment of the Board of Directors ("the Board"), management and staff of the Group in enhancing shareholder value by way of upholding the highest standards of corporate governance is affirmed and remains resolute at all times. The Group's corporate governance model adopts the following requirements and guidelines on corporate best practices -

- Malaysian Code on Corporate Governance (Revised 2007) ("the Code");
- Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR");
- Green Book on Enhancing Board Effectiveness ("Green Book") by the Putrajaya Committee on Government-Linked Companies ("GLC") High Performance; and
- Corporate Governance Guide ("CG Guide") by Bursa Securities.

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.

As market anticipation and interpretation of corporate governance have evolved beyond transparency, accountability and integrity, the Board will continue to review and deliberate the Group's corporate governance framework to ensure its relevance and ability to meet the challenges of the future.

GOVERNANCE FRAMEWORK



COUNTRIES OF UMW'S OPERATIONS

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

The Board is pleased to share the manner in which the principles of the above guidelines have been applied in the Group. 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.

Board Composition and Balance

As at 31 December 2010, the Board had seven (7) members, comprising six (6) 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. The retirement of Tan Sri Dato' Mohamed Noordin bin Hassan and Tan Sri Datuk Mohamed Khatib bin Abdul Hamid as Independent Non-Executive Director and Non-Independent Non-Executive Director, respectively, on 17 June 2010, had temporarily brought the number of Directors to six (6). Thereafter, Khalid bin Sufat was appointed on 1 September 2010 in place of Tan Sri Dato' Mohamed Noordin bin Hassan. Permodalan Nasional Berhad, a major shareholder of the Company, however, did not seek replacement for its nominee, Tan Sri Datuk Mohamed Khatib bin Abdul Hamid.

Datuk Syed Hisham bin Syed Wazir was appointed President & Group CEO on 1 October 2010, following the retirement of Dato' Abdul Halim bin Harun. To reflect a better shareholder representation on the Board, Wan Kamaruzaman bin Wan Ahmad was appointed as Non-Independent Non-Executive Director on 1 January 2011. Wan Kamaruzaman is a nominee of the Employees Provident Fund Board, another major shareholder of the Company.

The present composition of the Board and profile of each Director are set out in the Corporate Information and Directors' Profile on page 9 and pages 12 to 17 of this annual report, respectively.

Directors' Code of Ethics and Board Charter

The Directors' Code of Ethics was adopted by the UMW Board on 21 August 2009. It has been adapted from the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia and the Companies Act, 1965. 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.

The Board Charter is aimed at ensuring that all Directors 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. The Board is led by the Chairman, whose principal responsibility is to ensure the effective running of the Board. Except for matters reserved for shareholders, the Board is the ultimate decision-making body of the Group.

The Board believes in and practises a 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. He also ensures that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings. The Chairman encourages active participation by Board members in discussions and provides reasonable time for discussion of complex issues under review. Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

The Chairman, Tan Sri Asmat bin Kamaludin, is a Non-Independent Non-Executive Director, being a nominee of Permodalan Nasional Berhad. Tan Sri Asmat has always been a Non-Executive Director since his appointment to the Board on 20 February 2001. At annual general meetings ("AGM") and other shareholders' meetings, the Chairman plays a pivotal role in accommodating constructive dialogue between shareholders, the Board and management.

The President & Group CEO, Datuk Syed Hisham bin Syed Wazir, 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. He 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 vast experience, business knowledge and skills attained from senior managerial positions held before his appointment to the Group contribute 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. Non-Executive Directors help the Board to think through projects, challenge underlying strategies and examine options. They bring fresh and wider views to Board discussions and decision-making processes. Non-Executive Directors' independence, objectivity and business acumen complements the detailed knowledge and experience of management.

There is a clear division of responsibilities between the Board and management. The Management Committee is responsible for the implementation of Board decisions for day-to-day operations of the Group's businesses and for operational efficiency.

Senior Independent Non-Executive Director

In line with the best practices on Corporate Governance, the Board has identified Dr. Leong Chik Weng as the new Senior Independent Non-Executive Director of the Board to whom concerns relating to the Group may be conveyed by shareholders and other stakeholders. This position was assumed by Dr. Leong Chik Weng in place of Tan Sri Mohamed Noordin bin Hassan, who retired on 17 June 2010. 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 four (4) Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Investment and Risk Management Committee, which operate within clearly-defined terms of reference. The Investment and Risk Management Committee was established on 20 May 2010.

The Investment and Risk Management Committee reviews and evaluates the feasibility, financials, risk profile and mitigation, of all non-motor investments, acquisitions and divestment proposals from management, before submission to the Board for approval. It also assists the Board in monitoring the performance of projects against original targets.

Independent and Non-Executive Directors play a leading role in the above committees, whilst management and third parties are co-opted to the committees as and when required. Reports of proceedings and outcome of various committee meetings are submitted to the Board.

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

Audit Committee

Members	Position	Attendance at Meetings
Dato' Siow Kim Lun *(appointed as member and Chairman on 2 August 2010)*	Chairman *(Independent Non-Executive Director)*	5 out of 5*
Dr. Leong Chik Weng	Member *(Independent Non-Executive Director)*	8 out of 8
Dato' Mohd. Nizam bin Zainordin	Member *(Non-Independent Non-Executive Director)*	8 out of 8
Tan Sri Dato' Mohamed Noordin bin Hassan *(retired on 17 June 2010)*	Chairman *(Independent Non-Executive Director)*	3 out of 3*

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

Nomination Committee

Members	Position	Attendance at Meetings
Khalid bin Sufat *(appointed as member on 5 October 2010 and as Chairman on 1 April 2011)*	Chairman *(Independent Non-Executive Director)*	2 out of 2*
Tan Sri Asmat bin Kamaludin *(resigned as Chairman on 5 October 2010)*	Member *(Non-Independent Non-Executive Director)*	4 out of 4
Dato' Siow Kim Lun *(appointed as Chairman on 5 October 2010 and resigned as Chairman on 1 April 2011)*	Member *(Independent Non-Executive Director)*	4 out of 4
Tan Sri Dato' Mohamed Noordin bin Hassan *(retired on 17 June 2010)*	Member *(Independent Non-Executive Director)*	2 out of 2*

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

Remuneration Committee

Members	Position	Attendance at Meetings
Dr. Leong Chik Weng *(appointed as Chairman on 5 October 2010)*	Chairman *(Independent Non-Executive Director)*	5 out of 5
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	Member *(Non-Independent Non-Executive Director)*	4 out of 5
Khalid bin Sufat *(appointed as member on 5 October 2010)*	Member *(Independent Non-Executive Director)*	2 out of 2*
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid *(retired on 17 June 2010)*	Chairman *(Non-Independent Non-Executive Director)*	3 out of 3*

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

Investment and Risk Management Committee

Members	Position	Attendance at Meetings
Dr. Leong Chik Weng	Chairman *(Independent Non-Executive Director)*	6 out of 6
Dato' Mohd. Nizam bin Zainordin	Member *(Non-Independent and Non-Executive Director)*	6 out of 6
Dato' Siow Kim Lun	Member *(Independent Non-Executive Director)*	6 out of 6
Datuk Syed Hisham bin Syed Wazir *(appointed as member on 1 October 2010)*	Member *(Non-Independent Executive Director)*	3 out of 3*
Dato' Abdul Halim bin Harun *(retired on 1 October 2010)*	Member *(Non-Independent Executive Director)*	3 out of 3*

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

Details of the terms of reference of the Committees of the Board are set out on pages 20 to 27 of this annual report.

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. The commitment and dedication of members of the Board in ensuring effective discharge of their duties and responsibilities are reflected by the higher number of Board meetings held during the financial year ended 31 December 2010. A total of ten (10) Board meetings was held during the year under review to deliberate on business performance reports of the Company and its major subsidiaries, evaluate the feasibility of business propositions and corporate proposals, review prevailing economic issues, risk management, strategies and direction, and standards of conduct and compliance by the Group. During the year under review, all Directors complied with Paragraph 15.05 (3)(c) of the Bursa Securities MMLR which states that the office of a Director will become vacant if the Director is absent from more than 50% of the total Board meetings held during a financial year.

Details of attendance of Board members during the year under review are set out below -

Directors	Date of Appointment	No. of Meetings Attended	Percentage
Present Directors			
Tan Sri Asmat bin Kamaludin *Chairman/Non-Independent Non-Executive Director*	20 February 2001	9 out of 10	90%
Datuk Syed Hisham bin Syed Wazir *President & Group CEO/* *Non-Independent Executive Director*	1 October 2010	2 out of 2*	100%
Dr. Leong Chik Weng *Independent Non-Executive Director*	29 November 2007	10 out of 10	100%
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani *Non-Independent Non-Executive Director*	13 August 2008	9 out of 10	90%
Dato' Siow Kim Lun *Independent Non-Executive Director*	10 July 2009	9 out of 10	90%
Dato' Mohd. Nizam bin Zainordin *Non-Independent Non-Executive Director*	13 August 2008	10 out of 10	100%
Khalid bin Sufat *Independent Non-Executive Director*	1 September 2010	2 out of 2*	100%
Wan Kamaruzaman bin Wan Ahmad *Non-Independent Non-Executive Director*	1 January 2011	Not applicable	Not applicable

Directors	Date of Retirement	No. of Meetings Attended	Percentage
Past Directors			
Tan Sri Dato' Mohamed Noordin bin Hassan *Independent Non-Executive Director*	17 June 2010	5 out of 5*	100%
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid *Non-Independent Non-Executive Director*	17 June 2010	5 out of 5*	100%
Dato' Abdul Halim bin Harun *President & Group CEO/* *Non-Independent Executive Director*	1 October 2010	8 out of 8*	100%

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

No.	Date of Board Meeting	Non-Independent Directors	Independent Directors	Total Attendance	
1	23/02/2010	5	3	8 out of 8*	100%
2	17/03/2010	5	3	8 out of 8*	100%
3	23/04/2010	4	3	7 out of 8*	88%
4	20/05/2010	5	3	8 out of 8*	100%
5	10/06/2010	5	2	7 out of 8*	88%
6	19/07/2010	4	2	6 out of 6*	100%
7	03/08/2010	4	2	6 out of 6*	100%
8	20/08/2010	4	2	6 out of 6*	100%
9	22/11/2010	4	3	7 out of 7*	100%
10	16/12/2010	3	3	6 out of 7*	86%

*Note: *Reflects the size of the Board at the time each meeting was held.*

Supply of Information

Board meetings for each financial year are scheduled in advance before the end of each preceding financial year so as to enable the Directors to plan ahead their respective schedules accordingly.

The Board has direct access to the management. Thus, the Board has complete and unrestricted 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. The Directors may request for additional information or clarification from management, particularly in respect of complex and technical issues to be tabled to the Board.

All Directors are provided with comprehensive Board papers containing 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. Members of 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. Where necessary, management briefs Board members individually before certain matters are discussed at Board meetings.

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. Heads of operations 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.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meetings. The Directors may request for further clarification or raise comments on the minutes prior to confirmation of the minutes as correct records of the proceedings of the Board.

Company Secretary

All Directors have direct access to the advice and services of the Company Secretary. In 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 corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance.

The duties of the Company Secretary also include, inter alia, the following -

- compiling Board papers and ensuring Directors receive papers at least five (5) working days before Board meetings;
- attending Board and Committee meetings and ensuring that the proceedings of the meetings and decisions made thereof, are accurately and sufficiently recorded;
- ensuring that minutes of meetings and other statutory records are properly kept for the purpose of meeting statutory and regulatory requirements;
- communicating the decisions of the Board to management for further action;
- ensuring all appointments to the Board and Committees are properly made in accordance with relevant legislations;
- advising the Board and Principal Officers on regulatory compliance issues relevant to Directors' duties, including disclosure of interests, trading in the Company's shares during and outside closed periods and restriction on trading on insider information;
- managing the necessary preparation and arrangements for general meetings of the Company to ensure smooth proceedings and adherence to regulations; and
- facilitating the provision of information as may be requested by Directors from time to time.

The Company Secretary is adequately assisted by a team of qualified governance staff from the Group Secretarial Division to ensure implementation of CG best practices and thorough monitoring of good governance throughout the Group.

Appointments to the Board

The Group has in place a formal and transparent procedure for the appointment of Directors 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 Nomination Committee evaluates and assesses the suitability of candidates for Board memberships by taking into consideration the set of skills, attributes and core competencies required by the Company and the Group. 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. The Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors, both for the Company's own records and for purposes of meeting statutory and regulatory requirements.

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. Specific briefings on operations and plant visits, including overseas plant visits whenever necessary, are also conducted. Datuk Syed Hisham bin Syed Wazir, Khalid bin Sufat and Wan Kamaruzaman bin Wan Ahmad attended such induction programmes held on 29 September 2010, 15 October 2010 and 10 December 2010, respectively.

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 109 of the Articles of Association of the Company stipulates that Directors appointed to the Board for the first time are subject to mandatory retirement at the next AGM following their appointment. Datuk Syed Hisham bin Syed Wazir, Khalid bin Sufat and Wan Kamaruzaman bin Wan Ahmad are subject to mandatory retirement under Article 109 and being eligible, have offered themselves for re-election. Article 123 of the Articles of Association further provides that at least one-third of the Directors shall be subject to retirement by rotation at each AGM. Tan Sri Asmat bin Kamaludin and Dato' Mohd. Nizam bin Zainordin are subject to retirement under Article 123 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. However, no Director has attained the age of seventy (70) years as at the date of this annual report.

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.

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 23 to 24.

Non-Executive Directors' performance is evaluated by the Chairman of Board, who subsequently meets up with individual Directors to discuss the results of the evaluation, including recommending areas of improvement, if necessary.

The Nomination Committee evaluates the performance of the Chairman of the Board. Thereafter, the Chairman of the Nomination Committee discusses the results of the overall evaluation of the Board with the Chairman of the Board. Upon completion of the whole evaluation process, the Chairman of the Board 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.

During the year under review, the Chairman, Tan Sri Asmat bin Kamaludin, was appointed Chairman of the Nomination Committee following the retirement of Dato' Ir. Lee Yee Cheong from the Board in June 2009. The Chairmanship of the Nomination Committee was later handed over to Dato' Siow Kim Lun on 28 October 2010 and thereafter from Dato' Siow Kim Lun to Khalid bin Sufat on 1 April 2011.

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 public-listed companies. Bursa Securities MMLR requires newly-appointed Directors of public-listed companies to attend the MAP within four (4) months after their appointment. Datuk Syed Hisham bin Syed Wazir and Khalid bin Sufat have attended the MAP organised by other public-listed companies prior to their appointment to the Board of the Company. Wan Kamaruzaman bin Wan Ahmad, who was appointed to the Board on 1 January 2011, attended the MAP from 23 - 24 March 2011.

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.

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 2010 are as follows -

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
Tan Sri Asmat bin Kamaludin	Financial Institutions Directors' Education Programme	01/2010	Bank Negara Malaysia and Perbadanan Insurans Deposit Malaysia	4
	Competency As The Backbone Of Transformation	21/05/2010	Malaysian Pacific Industries Berhad	
	Implementing Effective Projects Strategies : Case Study On The Monorail Project For Mumbai	25/05/2010	Scomi Group Berhad	
	Audit Committee Institute Roundtable Discussion Titled : Going Forward : Risk & Reform - Implications For Audit Committee Oversight	13/07/2010	KPMG	
Datuk Syed Hisham bin Syed Wazir (appointed on 1 October 2010)	The Regulatory Framework And Directors' Duties 2010	24/11/2010	Malaysian Institute of Corporate Governance	1
Dr. Leong Chik Weng	Board Effectiveness : Redefining The Roles & Functions Of An Independent Director	06/11/2010	Bursatra Sdn. Bhd.	1

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
Dato' Siow Kim Lun	Building Audit Committee For Tomorrow	20/03/2010 to 21/03/2010	Financial Institutions Directors' Education Programme	4
	Board Risk Management Committee - Managing Risks In Financial Institutions	21/06/2010 to 22/06/2010	Financial Institutions Directors' Education Programme	
	Banking Insights: Everything You Wanted To Know About Banking But Didn't Dare To Ask	21/09/2010 to 25/09/2010	Financial Institutions Directors' Education Programme	
	Board Simulation Exercise	21/10/2010	Financial Institutions Directors' Education Programme	
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	2010 Directors' Continuing Education Programme	24/06/2010 to 25/06/2010	Guinness Anchor Berhad and Fraser & Neave Holdings Berhad	5
	Forum By Public-Listed Companies : CG Best Practices	30/06/2010	Securities Commission and Bursa Malaysia Securities Berhad	
	Banking And Finance Services Law Association (BFSLA) Conference 2010	15/08/2010	Banking and Financial Services Law Association	
	FIDE Training - Banking	04/10/2010 to 05/10/2010	ICLIF Leadership & Governance Centre	
	Global Islamic Finance Forum (GIFF 2010) - Islamic Finance Opportunities For Tomorrow	25/10/2010 to 28/10/2010	Bank Negara Malaysia, MIFC Malaysia and Austrade	
Dato' Mohd. Nizam bin Zainordin	Statement On Risk Management And Internal Control	02/07/2010	The Institute of Internal Auditors Malaysia	4
	Stoking The Fire Of Corporate Governance	02/07/2010	Malaysian Institute of Corporate Governance	
	2011 Budget Seminar	21/10/2010	Ernst & Young Tax Consultants Sdn. Bhd.	
	The Regulatory Framework And Directors Duties 2010	24/11/2010	Malaysian Institute of Corporate Governance	

Name of Director	Training Programme Attended	Date Held	Co-ordinator	Total
Khalid bin Sufat (appointed on 1 September 2010)	Tax & Finance Development - Unlocking Potential - Towards A High Income Economy	25/10/2010	PriceWaterhouse Coopers	2
	18th World Congress Of Accountants 2010	08/11/2010 to 11/11/2010	International Federation of Accountants & Malaysian Institute of Accountants	
Wan Kamaruzaman bin Wan Ahmad (appointed on 1 January 2011)	Mandatory Accreditation Programme (MAP) For Directors Of Public-Listed Companies	23/03/2011 to 24/03/2011	Bursatra Sdn. Bhd.	1

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 ("the Scheme") that came into effect on 18 April 2006. The Scheme has, however, expired on 17 April 2011. 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 also entitled to a company car and club membership. Non-Executive Directors do not however participate in the UMW Employee Share Option Scheme.

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

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.

Disclosure on Directors' Remuneration

Details of Directors' remuneration for the financial year ended 31 December 2010 are as follows -

	Salaries & Other Emoluments (RM'000)	Directors' Fees* (RM'000)	Benefits-In- Kind (RM'000)	Total (RM'000)
Executive Directors				
Datuk Syed Hisham bin Syed Wazir *(appointed on 1 October 2010)*	337	-	15	352
Dato' Abdul Halim bin Harun *(retired on 1 October 2010)*	2,977	-	362	3,339
Non-Executive Directors				
Tan Sri Asmat bin Kamaludin	-	179	132	311
Dr. Leong Chik Weng	-	130	-	130
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	-	87	-	87
Dato' Siow Kim Lun	-	106	-	106
Dato' Mohd. Nizam bin Zainordin	-	114	-	114
Khalid bin Sufat *(appointed on 1 September 2010)*	-	30	-	30
Wan Kamaruzaman bin Wan Ahmad *(appointed on 1 January 2011)*	Not applicable	Not applicable	Not applicable	Not applicable
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid *(retired on 17 June 2010)*	-	47	-	47
Tan Sri Dato' Mohamed Noordin bin Hassan *(retired on 17 June 2010)*	-	56	-	56

**Directors' fee disclosed is at Group level.*

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

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	-	2	2
RM50,001 - RM100,000	-	2	2
RM100,001 - RM150,000	-	3	3
RM350,001 - RM400,000	1	0	1
RM3,000,001 - RM3,500,000	1	0	1
	2	7	9

Indemnification of Directors and Officers

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

RELATIONS WITH SHAREHOLDERS AND INVESTORS

Disclosure Policy

The Board has always recognised the importance of accurate and timely dissemination of information to shareholders and investors, existing and potential, about the Group's operations, strategies, performance and prospects to maintain credibility and build stronger relationships with the investment community. This is achieved through a comprehensive annual report, accurate and timely disclosures and announcements to Bursa Securities, distribution of circulars and press releases and also conducting dialogues and briefings with/for analysts, fund managers, potential investors, locally and abroad, and shareholders from time to time. The Company has participated in various road shows to update institutional investors based in Malaysia and abroad in United States of America, United Kingdom, Japan, Hong Kong, Singapore and Australia 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. Confidential information is restricted to top management only. Selected members of top management are responsible for making disclosures and responding to market rumours and queries. The Group Secretarial Division sends constant reminders relating to restrictions on the trading of the Company's securities, to Directors and Principal Officers. The Investor Relations & Website Department coordinates the disclosure of information to analysts, institutional investors, the media and the investing public. The Division reports to the Group Secretary/Executive Director, UMW Corporation Sdn. Bhd.

Contacts for Investor Relations Matters

No.	Name	Designation	Contact Details
1	Datuk Syed Hisham bin Syed Wazir	President & Group CEO	(603) 51635006 syedhisham@umw.com.my
2	Suseela Menon	Executive Director, UMW Corporation Sdn. Bhd.	(603) 51635101 suseela.menon@umw.com.my

The Company's website at www.umw.com.my provides easy access to corporate information pertaining to the Group and its activities. Quarterly Investor Relations ("IR") Updates and information on financial results and material events are uploaded on the UMW website immediately after announcements on the same are made to Bursa Securities. The IR Updates provide detailed analysis of the Group's quarterly operations, variances and general prospects.

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 the annual report are continuously enhanced to better reflect transparency and accountability. The Company disseminates its annual report to its shareholders in CD ROM media but shareholders may also request for a hard copy of the annual report if they wish to. The annual report is also available on the UMW website.

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

In accordance with the Bursa Securities MMLR and the Articles of Association of the Company, the notice of 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 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.

In addition to the direct interaction with shareholders through AGMs and annual reports, the Group also makes timely announcement on its quarterly results and other announcements to Bursa Securities to provide shareholders with information which affect their investment decision. Press releases are also provided to the media on significant corporate developments to keep the shareholders and the public updated on the progress of the Group's core businesses.

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 Audit Committee assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The Audit Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The Audit Committee also assists the Board in reviewing the appropriateness of accounting policies applied by the Group as well as the changes in these policies.

Key Performance Indicators

The Company's actual performance for the year ended 31 December 2010, surpassed its target headline key performance indicators, as stated below -

KPI	2010 Target Headline (%)	2010 Achievement (%)
Annual return on shareholders' funds	10	13.1
Annual dividend payout ratio of net profit attributable to shareholders	50	76.2

Directors' Responsibility Statement

The Board is fully accountable for ensuring that the financial statements of each financial year are prepared in accordance with applicable approved 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.

In preparing the financial statements the Directors have -

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable financial accounting standards have been followed; and
- prepared financial statements 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.

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

The Group has established appropriate procedures to ensure that the Company complies with the Bursa Securities MMLR relating to related party transactions. All related party transactions are forwarded to the Group Internal Audit Division on a monthly basis for review. A Director who has interest in a transaction abstains from all deliberations and voting on the matter either at the Board level or at the general meeting convened for the purpose of considering the matter.

Shareholders' mandate in respect of existing and new recurrent related party transactions is obtained at AGMs of the Company on a yearly basis. 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 services.

Details of related party transactions entered into by the Group during the financial year under review are set out on pages 83 to 85 of this annual report.

Internal Controls

The Group continues to maintain and review its internal control procedures to ensure a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Directors acknowledge their responsibility for the Group's system of internal controls covering financial, operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system. An affirmation ceremony to affirm management's responsibility and commitment towards maintaining strong internal controls of the Group's business operations was held in the year under review.

The Statement on Internal Controls which provides an overview of the state of internal controls within the Group is set out on pages 68 to 70 of this annual report. The Statement of Internal Controls has been reviewed by the external auditors pursuant to Paragraph 15.23 of the Bursa Securities MMLR.

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 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; and
- The organisation's plans, programmes, goals, and objectives are achieved.

Whistle-Blowing Policy

In line with the Board's commitment to maintain the highest possible standard of professionalism, ethics and legal conducts in the Group's business activities, a Whistle-Blowing Policy and General Guidelines was adopted on 14 July 2009. This policy welcomes 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. This policy provides employees with accessible avenues to report wrongdoings in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate matter and without fear of reprisal.

Relationship with Auditors

The Group maintains an active and transparent relationship with its auditors, both external and internal, through the Audit Committee. The internal audit function is performed in-house by the Group Internal Audit Division. This Division audits internal control practices and reports significant findings to the Audit Committee together with recommended corrective actions. Management is responsible in ensuring that the corrective actions are undertaken within an appropriate time frame.

The Group's external auditors, Messrs. Ernst & Young, are invited to attend Audit Committee meetings when deemed necessary. The Audit Committee meets the external auditors at least twice a year without the presence of management to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. Apart from this, the external auditors are also invited to attend the AGM of the Company. The role of the Audit Committee in relation to both external and internal auditors is set out on pages 20 to 22 of this annual report.

Services provided by the external auditors include statutory audit and non-audit services. Terms of engagement for services of external auditors are reviewed by the Audit Committee and approved by the Board. The breakdown of annual audit fees and non-audit fees paid to the external auditors for the financial year ended 31 December 2010 is as follows -

	Company (RM'000)	Group (RM'000)
Fees paid to principal auditors		
● Statutory Audit	169	1,926
● Non-Audit	-	3,824*
Fees paid to other auditors		
● Statutory Audit	-	709
● Non-Audit	-	-
Total	169	6,459

**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 its governance model to uphold its pledge, commitment and effort to 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. The Board ensures that there is no compromise in the Group's focus on enhancing shareholder value, increasing investor confidence, establishing customer trust and building a competitive and profitable organisation that upholds UMW's core values of being Honourable, Vibrant, Unshakeable and Pioneering .

This Statement on Corporate Governance is made in accordance with a resolution of the Board dated 10 May 2011.

STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

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

RESPONSIBILITY

The Directors affirm their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, and for reviewing the adequacy and integrity of the system. The internal control system is designed to meet the Group's particular needs and to manage the risks that may impede the achievement of the Group's business objectives. The system, by its nature, cannot eliminate risks but can provide only reasonable and not absolute assurance against material 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 the Group's efforts to instil a proactive risk management culture and implement a proper Enterprise Risk Management ("ERM") framework in the Group.

UMW has recently further enhanced its ERM framework and processes. This was conducted in line with the Principles and Guidelines of ISO 31000: Risk Management. The enhanced policies and procedures for the regular review and management of risks will be adopted for implementation throughout the Group.

The Group's Risk Management function is described on page 71 of this annual report.

INTERNAL AUDIT FUNCTION

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

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

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 have influence over the financial and operating policies of associated companies.

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

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

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

1. Clearly-defined procedures and controls, including information systems controls, are in place to ensure the reporting of complete and accurate accounting information. The control systems are for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

2. There is a clearly-defined delegation of responsibilities to Committees of the Board and to management and operating units, including appropriate authorisation levels for all aspects of the business.

3. Clearly-defined and documented financial limits of delegated authority are in place, and these are regularly updated to reflect changing risks or to resolve operational deficiencies.

4. Corporate values which emphasise ethical behaviour are set out in the Group's "Our Promise" Statement and Executive handbook.

5. Emphasis is placed on the quality and abilities of employees with continuing education, training and development actively encouraged through a wide variety of programmes.

WEAKNESSES IN INTERNAL CONTROLS WHICH RESULTED IN MATERIAL LOSSES

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

RISK MANAGEMENT

The Board recognises that a structured and consistent risk management framework is instrumental for UMW to deploy its operational strategy effectively. UMW has recently further enhanced its Enterprise Risk Management ("ERM") framework and processes. The ERM framework enhancement exercise was conducted in line with the Principles and Guidelines of ISO 31000: Risk Management. The enhanced ERM framework incorporates a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW's strategic objectives.

The policies of the Board for ERM are -

- To integrate risk management into the culture, business activities and decision-making processes;
- To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively;
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation;
- To require that all papers that are submitted to the Board by management relating to strategy, key project approval; significant action or investment must include a detailed risk assessment report; and
- To implement a robust and sustainable risk management framework that is aligned with UMW's vision and mission, and in accordance with best practices.

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

Type of Risks	Accountability
Strategic Risks	Board and President & Group CEO
Operational Risks	Heads of Strategic Business Units ("SBU")

Strategic risks are risks primarily 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 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, competency, 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, ERM 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 Managment Committee of UMW has assumed the role of the Risk Management Committee ("RMC"). The principal responsibilities of the RMC include the following -

- Communicate requirements of the ERM Policy and ensure continuous enhancement of ERM;
- Formulate and implement ERM mechanism to accomplish requirements of the ERM policy;
- Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by Risk Owners; and
- Ensure that the ERM reports prepared are submitted to the Board in a timely manner, and flash reports are submitted in the event of any risk(s) that require urgent attention.

The RMC is assisted by Head of Group Risk Management Division who facilitates the risk assessment process, by performing independent enquiries on risk identification and risk ratings determination by the respective process owners (line managers). The Head of Group Risk Management Division also assists in the facilitation process for the development of action plans to address key risks of the Group. Heads of SBUs and Divisions are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring risk action plans and reporting all major risks to the RMC.

During the year, key risk profiles of the Group and the respective SBUs were presented to the Audit Committee. Going forward, as part of the ERM framework enhancement process, the Investment and Risk Management Committee will assume the oversight and strategic role for ERM.

CORPORATE SOCIAL RESPONSIBILITY 2010

At UMW, our contribution to worthy causes goes beyond providing financial support; we also offer our time, attention and expertise through our employee volunteers who are known as the UMW Community Champions. From June 2009 to December 2010, the UMW Community Champions spent a total of 4,331 hours in service to the community.

Spreading Warmth & Cheer Every Festive Season

In conjunction with the Chinese New Year and Hari Raya Aidil-Adha celebrations of 2010, our UMW Community Champions brought some festive cheer to the elderly residents of Rumah Jalan Ampang, Kuala Lumpur and Rumah Ehsan, Kuala Kubu Baru, Selangor. Deepavali and Christmas were spent with the children of Rumah Tara Bhavan and Rumah Charis. Charity Collection Drives were also conducted at UMW in the week leading up to each festival, where employees contributed food and sundry items to low-income families in the Klang Valley.

Bridging the Healthcare Divide

In 2010, the UMW-MERCY CSR partnership continued for the 2nd consecutive year. Since the partnership was formalised in December 2008, UMW has provided MERCY Malaysia with close to RM1.2 million in funding for various community health projects including mobile clinics, alcohol misuse intervention groups, long house fire-risk reduction activities and disaster relief efforts. Our Community Champions also provided manpower support on MERCY missions in Inarad, Sonsogon Magandai and Kampung Balat in Sabah, as well as Long Singu in Sarawak. The CSR partnership has benefitted over 6,000 people in interior Sabah and Sarawak.

Realising Our Green Ambition

Our Green Workplace Recycling Programme, conducted at our head office in Shah Alam, has saved close to 3.5 metric tonnes of waste from being sent to landfills. This figure does not include materials that are also recycled in our manufacturing operations, as part of our wider effort towards sustainability. Day-to-day waste recycled by our employees in Shah Alam has so far yielded RM1,133.20 in financial returns and will be donated to charitable causes.

To commemorate Earth Day 2010, the UMW Community Champions planted 60 Meranti Tembaga saplings at Taman Rekreasi Seksyen 7, Shah Alam. In conjunction with World Environment Day 2010, the Community Champions engaged in a four-hour clean up of Pantai Kelanang, Banting. Approximately 200kg of litter was cleared from the public beach and surrounding areas.

The pilot year of the UMW Green Challenge Programme, an environmental education programme and competition, was concluded in March 2010, and a total of RM181,599 was spent on making the programme a success. Now in its second year, the UMW Green Challenge Programme has opened its doors to ten (10) new schools, from a wider area in the Klang Valley. For the 2010/2011 session, participants have been asked to reduce their schools' carbon footprint.

The year 2010 saw UMW Toyota Motor Sdn. Bhd. celebrate the 10th year anniversary of its environment programme, the Toyota Eco Youth ("TEY"). In celebrating TEY's first decade, the year's competition saw the likes of eight (8) previous school champions, applying their knowledge of science and using Toyota's Quality Control Circle methods to benefit the environment. The three-year Toyota Eco Rangers programme, launched in June 2008 as an extension of the TEY, also successfully continued its run through 2010.

Nurturing Potential & Delivering Excellence

In tandem with the growth of our business, UMW expanded its PINTAR ("Promoting Intelligence, Nurturing Talent, Advocating Responsibilities") Programme to include more schools - from four (4) adopted schools in 2009 to seven (7) adopted schools in 2010. We sponsored motivational and team-building workshops, tuition classes, additional educational materials and vitamin supplements for all of our adopted schools. Additionally, trained UMW Community Champions and MERCY Malaysia volunteers also conducted School Disaster Risk Preparedness Workshops for our PINTAR schools. A total of RM189,186 was spent on our PINTAR Programme in 2010, benefitting 2,024 students.

UMW continued to hold the PMR Achievement Awards for the 16th year running, with students from 18 secondary schools in Shah Alam receiving Amanah Saham Gemilang Unit Trusts as a reward for their excellent PMR results. We also continued to honour our five-year RM2 million pledge to the Tun Ismail Mohamed Ali Foundation, an organisation which sponsors research programmes at local universities, as well as provide scholarships for exceptional students to enrol in world-renowned universities.

Our sponsorship of the SMK Sultan Salahuddin Abdul Aziz Shah school band continued for the 28th year, with an annual grant of RM5,000. We have also invited the school band to perform at our corporate events and functions to provide them with additional platforms to showcase their talents.

Concerned with the rising number of road accidents involving youth, many of which are related to illegal racing, UMW Pennzoil Distributors Sdn. Bhd. sponsored Universiti Teknologi Mara Terengganu's "Kembara Belia Terengganu 2010" programme, aimed at promoting safe defensive riding amongst young bikers, as well as encouraging them to participate in community activities.

During the December school holidays, UMW organised a two-day photography and film workshop for teens at Zoo Negara. Participants include teens from Projek Perumahan Rakyat in Kerinchi, as well as students from our Green Challenge Schools. Once again, our Community Champions were at hand to assist with the activities.

Other Social & Charitable Activities

In October 2010, over 800 guests were enthralled with a performance by Italy's renowned orchestra, Citta di Firenze, flown in as part of the annual Toyota Classics philanthropic effort, held in Malaysia since 1990. The performance raised a total of RM338,028, benefitting four (4) different charitable organisations throughout the country - the National Cancer Society Malaysia, Kuala Lumpur, Pertubuhan Kanak-Kanak Insan Istimewa Cemerlang, Selangor, Sarawak Cheshire Home and Rumah Kanak Kanak Bondulu Gereja Katolik Toboh Tambunan, Sabah.

UMW also disbursed RM10,000 to the Malaysian Crime Prevention Foundation, as part of a five-year RM50,000 pledge.

Aside from our long-term commitments and CSR anchor projects, we also have an annual scheme to award small grants and special donations to the community on a case-by-case basis. In 2010, a total of RM361,557 in ad-hoc donations were made to 54 different community groups.

HEALTH, SAFETY AND ENVIRONMENT

Our Continuous Commitment to Health, Safety and Environment

We continued to implement various initiatives to ensure that we maintain the highest Health, Safety and Environment ("HSE") standards group-wide. Our people are constantly reminded to exercise extreme care in their conduct to prevent risk of injuries, health hazards, and damage to property, and to take proactive measures towards the conservation of the environment.

OHSAS 18001:2007

In our commitment to adhere to the highest international HSE standards, eight (8) companies in the Group were Occupational Health & Safety Management System ("OHSAS 18001:2007") certified. More companies in the Group are expected to be OHSAS certified in 2011 and 2012.

Health, Safety and Environment Activities

During the year, numerous HSE activities were organised in our effort to continue inculcating high standards of HSE practices group-wide.

Some of the signature activities during the year were -

- Launching of AISB'S 2010 Safety Programme;
- Audiometric Test at UMW Industrial Power;
- Introduction of UMW HSE Contractor's Guidelines;
- Occupational Safety & Health Audits conducted by Group Health, Safety & Environment Department at all UMW Subsidiaries in the Central Region;
- ASSB Safety & Health Campaign 2010 - Towards A Better Quality of Life; and
- 2010 Road Safety Month Campaign.

HSE Industry Awards & Recognition

UMW Petrodril (Malaysia) Sdn. Bhd. made a remarkable milestone by clocking in one (1) million man-hours with No Lost-Time-Incident on its hydraulic workover units UP Gait II and UP Gait III.

HUMAN CAPITAL MANAGEMENT, TRAINING AND DEVELOPMENT

The Group employs 10,500 people in 13 countries. We continued to invest in our talent pool through an annual intake of young and vibrant talents under our Graduate Management Trainee Programme ("GMTP"), the continuous provision of academic and training scholarships and internships, and the continuous design and implementation of structured, professional, leadership development, functional and technical competency enhancement programmes.

PROGRAMMES	PARTICIPANTS
GMTP	38
Scholarships	41
Internships	47
Management & Leadership Programmes	5843
Functional and Technical Programmes	233

Leadership Development

The Group continued to place strong emphasis on strengthening leadership development and succession. The leadership development and succession blueprints are guided by the Orange Book of the GLC Transformation Programme. In the recent second Leadership Development Audit, the Group's overall leadership development practices were ranked adequate. Identified gaps are being addressed to improve the Group's ratings in best practice.

People Competency Model

Anchored by our values of being **HONOURABLE, VIBRANT, UNSHAKEABLE AND PIONEERING,** we redefined our People Competency Model that spells out the skills and behavioural traits required of our human capital. The redefined model included management, leadership and functional competency elements. These competencies are unique to UMW as they were developed based on our vision, mission, values and business strategy. The model defined the set of management skills and behaviours that every person in UMW should possess in their day-to-day interaction with others, and in running the business. It relates to the intellectual, social and emotional aptitudes that are reflected in a person's behaviour in accomplishing a task while on the job. The competencies were the fulcrum of human capital management activities like recruitment and placement, performance management, learning and development, succession planning and promotion.

Union and Employee Engagement

Our strong relationship with the in-house and national unions and employees in general have long been built on mutual trust and respect. We continued to practise a consultative and supportive working culture, treating one another as partners.

Employee engagement levels were kept high through regular social, recreational and sporting activities. For the first time, the Group Human Capital Division hosted a one-day "Closer 2u" event, an "all hands on deck" open day effort to bring Group Human Capital Division closer to all customers. The response from staff was overwhelming. "Closer 2u" provided a more interactive, non-traditional way of serving our customers. It was a delightful experience for many employees as the event was not only a one-stop centre where all issues relating to their employment could be addressed but it was also a rare opportunity for them to network with colleagues from other business units.

Calendar of Events

JANUARY

7 Automotive Industries Sendirian Berhad launched its Safety Campaign.

12 Lexus Malaysia introduced its new face-lifted LS460L and LS460 Sports models.

29 UMW Toyota Motor Sdn. Bhd. ("UMW Toyota Motor") through its appointed dealer, Wing Hin Automobile, upgraded its 3S centre which includes a body and paint facility.

FEBRUARY

4 UMW Industries (1985) Sdn. Bhd. received the third renewal of its five-year Fleet Management contract with Guiness Anchor Berhad.

6 UMW celebrated Chinese New Year with over RM11,000 worth of contributions to the Ampang Welfare Home.

MARCH

3 UMW Toyota Motor officially opened its new service centre in Puchong, the 60th in the country.

18 Lexus Malaysia officially opened its new 3S facility in Penang, marking its first foray into the Northern region.

23 UMW awarded nearly RM30,000 worth of grants and prizes for outstanding greening efforts in schools that participated in the annual UMW Green Challenge programme.

Calendar of Events (cont'd.)

APRIL

14 UMW honoured its employees through the Brand Hero and CEO Awards 2010.

15 UMW Toyota Motor unveiled the newly-enhanced and improved Toyota Vios.

19 GSR Pennzoil Racing Team revealed the title contender in the 2010 Malaysian Rally Championship - the Mitsubishi Evolution X at the Hilton Hotel, Petaling Jaya.

23 UMW adopted five (5) more schools for the 2010 PINTAR Programme.

MAY

10 UMW Oil & Gas Division officially opened its new West Plant in Labuan.

12 UMW Petrodril (Malaysia) Sdn. Bhd. achieved 1 million manhours with zero Lost-Time-Incident (LTI).

17 Assembly Services Sdn. Bhd. organised a five-day Health and Safety Campaign aimed at increasing awareness of maintaining good health.

20 UMW Toyota Motor launched the 2010 Toyota Eco Youth Programme - Battle of the Eco Champions, bringing together for the first time, winning schools of the previous Toyota Eco Youth Programme - participants pitted their knowledge on environmental issues and creative skills to develop effective and sustainable methods to solve environmental issues identified at their respective schools.

JUNE

15 UMW renewed its million-dollar community service partnership with MERCY Malaysia.

Calendar of Events (cont'd.)

JULY

25 UMW staff took part in the Mount Kinabalu expedition. Out of 30 participants, 26 made it to the mountain's highest peak - the highest record achieved by UMW staff so far.

AUGUST

10 UMW's Group Health, Safety and Environment Department launched a month-long Road Safety Campaign.

SEPTEMBER

3 United Seamless Tubulaar Private Limited in India, commenced commercial production of seamless pipes.

23 UMW Toyota Motor rolled out the new Corolla Altis - a completely built-up unit manufactured in Thailand and available in four variants - Altis 1.6.E, Altis 1.8E, Altis 1.8G and Altis 2.0V.

29 UMW Toyota Motor celebrated Aidilfitri with orphans from Rumah Amal Kasih Bestari at its headquarters in Shah Alam.

UMW launched the first book in a series of management case studies of its successful and unsuccessful business ventures - "UMW-Dennis Specialist Vehicles Sdn. Bhd. - A Bumpy Ride" at its headquarters in Shah Alam.

Calendar of Events (cont'd.)

OCTOBER

1 Datuk Syed Hisham bin Syed Wazir officially began his duty as UMW's new President & Group CEO.

4 UMW's NAGA 1 received a contract extension from Petronas Carigali Sdn. Bhd.

7 UMW Toyota Motor unveiled the new Toyota Hilux 3-litre VNT at an event held in Kota Kinabalu. The new Hilux upholds the same styling but is now equipped with a 3-litre D-4D Diesel Common-Rail Intercooler engine that significantly improves the performance of diesel engines.

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

UMW Equipment Sdn. Bhd. was awarded a RM75 million contract to supply a total of 21 Rosenbauer Airport Fire-Fighting Vehicles to Malaysia Airports Holdings Berhad.

26 Lexus Malaysia launched the new RX270 model.

28 UMW Toyota Motor and Toyota Motor Asia-Pacific Pte. Ltd. organised the annual Toyota Classics at the Dewan Filharmonik Petronas.

NOVEMBER

15 Dato' Abdul Halim bin Harun retired from his post as President & Group CEO of UMW Holdings Berhad.

22 The UMW Group entered into a Drilling Services Assistance Cooperation Agreement on NAGA 2 with PT. Harmoni Drilling Services and PT. Isis Megah.

26-28 The Pesta Sukan UMW was held at Universiti Islam Sains Malaysia, Nilai, Negeri Sembilan.

29 UMW entered into a Principal Agency Agreement with Repsol YPF Lubricantes Y Especialidades, S.A. to manufacture and distribute Repsol lubricants in the Asia-Pacific region.

The UMW Group acquired the entire shareholding of Pennzoil-Quaker State Company in Lubetech Sdn. Bhd. and UMW Pennzoil Distributors Sdn. Bhd. to enable the Group to strengthen its Pennzoil lubricant distribution business.

30 The UMW Group announced the appointment of Ismet bin Suki as the new President of UMW Toyota Motor.

UMW Petrodril (Malaysia) Sdn. Bhd. received the QMS ISO:9001 certificate from Bureau Veritas.

DECEMBER

1 UMW Toyota Motor raised RM343,918 at the 2010 Toyota Classics concert. Funds were donated to four charity homes, namely the National Cancer Society of Malaysia, Pertubuhan Kanak-kanak Insan Istimewa Cemerlang, Rumah Kanak-Kanak Bondulu Gereja Katolik Toboh, Tambunan and Sarawak Cheshire Home.

STATISTICS ON SHAREHOLDINGS

AS AT 3 MAY 2011

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	:	RM584,146,966 (comprising 1,168,293,932 ordinary shares of par value RM0.50 each)
Class of Shares	:	Ordinary shares of par value RM0.50 each
Voting Rights	:	One (1) vote per one (1) 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	Foreign	No.	%	Malaysian	Foreign	No.	%
Less than 100	304	19	323	5.67	9,718	854	10,572	0.00
100 to 1,000	1,234	86	1,320	23.16	857,719	55,976	913,695	0.08
1,001 to 10,000	2,414	278	2,692	47.23	10,108,099	1,210,337	11,318,436	0.97
10,001 to 100,000	806	243	1,049	18.40	22,492,714	8,071,853	30,564,567	2.62
100,001 to less than 5% of issued shares	129	185	314	5.51	346,669,942	172,006,816	518,676,758	44.39
5% and above of issued shares	2	0	2	0.03	606,809,904	0	606,809,904	51.94
Total	**4,889**	**811**	**5,700**	**100.00**	**986,948,096**	**181,345,836**	**1,168,293,932**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

Category of Shareholders	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1. Individual	3,882	207	26,695,940	2,629,798	2.29	0.22
2. Body Corporate						
(a) Banks/finance companies	41	1	745,649,808	5,206	63.82	0.00
(b) Investment trusts/foundations/charities	3	0	42,312	0	0.00	0.00
(c) Industrial and commercial companies	124	11	4,328,348	1,600,944	0.37	0.14
3. Government agencies/institutions	3	0	584,084	0	0.05	0.00
4. Nominees	835	592	209,640,938	177,109,888	17.95	15.16
5. Others	1	0	6,666	0	0.00	0.00
Total	**4,889**	**811**	**986,948,096**	**181,345,836**	**84.48**	**15.52**

DIRECTORS' DIRECT AND DEEMED INTERESTS IN THE COMPANY

As at 3 May 2011, none of the other Directors have interests in the shares of the Company including those of their spouse and child/children, which are deemed interests of the Directors, except for the following -

Director	<-----------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 Asmat bin Kamaludin	-	-	-	20,000	0.00
Total	**-**	**-**	**-**	**20,000**	**0.00**

THIRTY LARGEST SHAREHOLDERS

Shareholders	No. of Shares	%
1. AmanahRaya Trustees Berhad - *Skim Amanah Saham Bumiputera*	493,476,700	42.24
2. Citigroup Nominees (Tempatan) Sdn. Bhd. - *Employees Provident Fund Board*	113,333,204	9.70
3. Permodalan Nasional Berhad	51,715,700	4.43
4. Kumpulan Wang Persaraan (Diperbadankan)	38,227,800	3.27
5. AmanahRaya Trustees Berhad - *Amanah Saham Wawasan 2020*	34,602,400	2.96
6. AmanahRaya Trustees Berhad - *Amanah Saham Didik*	31,752,200	2.72
7. Valuecap Sdn. Bhd.	31,689,700	2.71
8. AmanahRaya Trustees Berhad - *Amanah Saham Malaysia*	30,293,900	2.59
9. Malaysia Nominees (Tempatan) Sendirian Berhad *- Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	22,641,600	1.94
10. Cartaban Nominees (Asing) Sdn. Bhd. *- Exempt An For State Street Bank & Trust Company (West CLT OD67)*	17,682,426	1.51
11. HSBC Nominees (Asing) Sdn. Bhd. *- Exempt An For JPMorgan Chase Bank, National Association (U.S.A)*	14,771,700	1.26
12. HSBC Nominees (Asing) Sdn. Bhd. *- BBH And Co. Boston For Vanguard Emerging Markets Stock Index Fund*	9,471,520	0.81
13. AmanahRaya Trustees Berhad - *AS 1Malaysia*	9,000,000	0.77
14. Citigroup Nominees (Tempatan) Sdn. Bhd. *- Exempt An For Prudential Fund Management Berhad*	8,832,100	0.76
15. Citigroup Nominees (Tempatan) Sdn. Bhd. - *Employees Provident Fund Board (NOMURA)*	8,400,000	0.72
16. HSBC Nominees (Asing) Sdn. Bhd. *- Exempt An For JPMorgan Chase Bank, National Association (U.K.)*	6,696,500	0.57
17. HSBC Nominees (Asing) Sdn. Bhd. - *BBH And Co. Boston For GMO Emerging Markets Fund*	5,707,000	0.49
18. AmanahRaya Trustees Berhad - *PNB Structured Investment Fund*	5,618,900	0.48
19. AmanahRaya Trustees Berhad - *Public Islamic Dividend Fund*	4,905,500	0.42
20. HSBC Nominees (Asing) Sdn. Bhd. - *Exempt An For JPMorgan Bank, Luxembourg S.A.*	4,842,200	0.42
21. HSBC Nominees (Asing) Sdn. Bhd. *- Exempt An For JPMorgan Chase Bank, National Association (U.A.E.)*	4,819,688	0.41
22. AmanahRaya Trustees Berhad - *Sekim Amanah Saham Nasional*	4,500,000	0.39
23. Citigroup Nominees (Asing) Sdn. Bhd. *- CB Lux For The Batterymarch Global Emerging Markets Fund*	4,127,000	0.35
24. Malaysia Nominees (Tempatan) Sendirian Berhad *- Great Eastern Life Assurance (Malaysia) Berhad (DR)*	3,973,100	0.34
25. HSBC Nominees (Asing) Sdn. Bhd. - *TNTC For Saudi Arabian Monetary Agency*	3,889,000	0.33
26. HSBC Nominees (Asing) Sdn. Bhd. *- Exempt An For JPMorgan Chase Bank, National Association (Jersey)*	3,870,000	0.33
27. HSBC Nominees (Asing) Sdn. Bhd. - *HSBC BK PLC For Kuwait Investment Office (KIO)*	3,800,000	0.33
28. Malaysia Nominees (Tempatan) Sendirian Berhad *- Great Eastern Life Assurance (Malaysia) Berhad (LGF)*	3,710,000	0.32
29. Pertubuhan Keselamatan Sosial	3,502,800	0.30
30. Malaysia Nominees (Tempatan) Sendirian Berhad *- Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	3,455,400	0.30
TOTAL	**983,308,038**	**84.17**

SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct Interest	Deemed Interest	%
1. Skim Amanah Saham Bumiputera	-	493,476,700	42.24
2. Employees Provident Fund Board	1,500,000	125,968,404	10.91
TOTAL	**1,500,000**	**619,445,104**	**53.15**

The above information was based on Bursa Malaysia Depository Sdn. Bhd.'s records received on 4 May 2011.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

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

Share Buy-Backs

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

Options, Warrants or Convertible Securities

The amount of share options issued by the Company and exercised by eligible employees during the financial year under review is disclosed in the Directors' Report and Note 19 (c) to the Financial Statements for the year ended 31 December 2010.

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

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

Imposition of Sanctions/Penalties

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

Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2010 by the Company's external auditors or their affiliates is disclosed in Note 29 to the Financial Statements.

Variation in Results

There were no variances of 10% or more between the results for the financial year 2010 and the unaudited results previously announced.

Profit Guarantees

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

Revaluation Policy

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

Material Contracts

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

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

(b) Joint Venture Agreement dated 2 February 1993 between PNB Equity Resource Corporation Sdn. Bhd. ("PNB EQUITY"), a related party, UMW Corporation Sdn. Bhd. ("UMWC"), Med-Bumikar Mara Sdn. Bhd. ("MBM"), Daihatsu (Malaysia) Sdn. Bhd. ("DMSB"), Daihatsu Motor Co. Ltd. ("DMC") and Mitsui & Co. Ltd. ("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 PEMSB, in improving production efficiencies, reducing cost and enhancing quality and increasing 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 of 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 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.

Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting of the Company held on 17 June 2010, the Company had obtained a Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

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 2010 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")	Denso International Asia Pte. Ltd., Singapore ("DIA") has 72.73% equity interest in Denso (Malaysia) Sdn. Bhd. ("DENSO"). DIA is a wholly-owned subsidiary of Denso Corporation, Japan, a company in which TMC has 22.54% equity interest. 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.	• Sale of vehicle spare parts by DENSO to UMWT, a subsidiary of UMWC.	517,987
	TMC has 22.54% equity interest in JTEKT Corporation, which in turn has 90% equity interest in JTEKT Automotive (Malaysia) Sdn. Bhd. ("JAMSB"). UMWT has 10% equity interest in JAMSB.	• Sale of vehicle spare parts by JAMSB to UMWT, a subsidiary of UMWC.	250,506
TMC	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.	• Sale of vehicle completely knock-down ("CKD") units and components by UMWT, a subsidiary of UMWC to PMSB. • Sale of vehicles by PMSB to UMWT, a subsidiary of UMWC.	164,219 291,902

Name of Related Party	Relationship	Type of Recurrent Related Party Transaction	Value of Transactions (RM'000)
Toyota Tsusho Corporation, Japan ("TTC")	TMC has an indirect interest in UMWT through its associated company, TTC, by virtue of TTC's 10% direct shareholding in UMWT. TMC has 21.57% equity interest in TTC. TTC is a major shareholder of Toyota Tsusho (Malaysia) Sdn. Bhd. ("TTM") as TTC has 70% equity interest therein. 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.	• Sale of vehicles and workshop service by UMWT, a subsidiary of UMWC, to UMW Toyotsu.	156,754
Japan Drilling Co., Ltd. ("JDC")	JDC has 15% equity interest in UMW JDC Drilling Sdn. Bhd. ("UJD"), a 85%-owned subsidiary of UMWC. JDC Panama is a wholly-owned subsidiary of JDC.	• Payment of charter of drilling by UJD, a subsidiary of UMWC, to JDC Panama.	28,945

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 25 May 2010 in relation to the 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.

TOP TEN (10) PROPERTIES HELD BY THE UMW GROUP

AS AT 31 DECEMBER 2010

	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 (RM)
1	**Ulu Selangor**								
	Lots 15001 to 15009 & Lots 15019 to 15024 Mukim Serendah Ulu Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 25.10.2098	Land - 2,225,548.2 Built-up - Nil	-	-	17.04.1995	53,520,570
2	**Shah Alam**								
	No. 2, Persiaran Raja Muda Section 15 Shah Alam	Commercial Land	UMW Toyota Motor Head Office	Leasehold 99 years expiring 22.07.2067	Land - 24,283.2 Built-up - 19,840.5	6	-	06.08.1985	44,706,614
3	**Subang**								
	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	3	-	28.03.2006	37,460,410
4	**Penang**								
	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	3	-	29.12.2003	36,604,816
5	**Petaling Jaya**								
	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	5	-	15.06.1991	27,353,355
6	**Shah Alam**								
	No. 19, Jalan Subang Utama 2 (Jalan Puchong) Lion Industrial Park Section 22 Shah Alam	Industrial Land	Production Logistics Distribution Centre	Freehold	Land - 46,947.5 Built-up - 949.2	8	-	14.05.1997	27,320,589
7	**Batu Pahat**								
	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	3	-	28.09.2005	26,310,724
8	**Mutiara Damansara**								
	Lot 44580 Mukim Sungai Buloh Daerah Petaling Selangor	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 4,228.5 Built-up - 11,375.5	5	-	13.08.2004	25,503,093
9	**Kuala Lumpur**								
	Lot 4523, Batu 5 Jalan Cheras Kuala Lumpur	Commercial Land	Showroom, Parts & Service Centre	Freehold	Land - 10,337.0 Built-up - 12,197.4	5	-	08.10.2003	25,177,558
10	**Ulu Selangor**								
	PT 16042 to 16048, PT 16050 and PT 16052 to PT16056 Mukim Serendah Ulu Selangor	Industrial Land	Vacant	Leasehold 99 years expiring 07.07.2109	Land - 1,024,056.9 Built-up - Nil	-	-	17.04.1995	24,626,791

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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 2010.

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

	Group RM'000	Company RM'000
Profit for the year	**972,821**	**367,543**
Attributable to:		
Equity holders of the Company	**526,903**	**367,543**
Non-controlling interests	**445,918**	**-**
	972,821	**367,543**

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 other than:

(a) impairment of investment in an associate of RM53.2 million recognised by the Group as disclosed in Note 29 to the financial statements; and

(b) the effects arising from changes in accounting policies due to the adoption of FRS139 Financial Instruments: Recognition and Measurement which have resulted in an increase in the Group's and the Company's profit for the year by RM71.1 million and RM55.2 million respectively, as disclosed in Note 2.2 to the financial statements.

DIVIDENDS

The amounts of dividends paid or declared by the Company since 31 December 2009 were as follows:

	RM'000
In respect of the financial year ended 31 December 2009:	
Second interim single-tier dividend of 10% or 5.0 sen paid on 18 February 2010	**56,204**
Final single-tier dividend of 18% or 9.0 sen paid on 10 August 2010	**102,610**
In respect of the financial year ended 31 December 2010:	
First interim single-tier dividend of 20% or 10.0 sen paid on 7 October 2010	**114,772**
Second interim single-tier dividend of 27% or 13.5 sen paid on 11 February 2011	**156,647**

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 13.0% or 6.5 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM75.9 million (2009: a single-tier dividend of 18% or 9.0 sen per share of RM0.50 each, amounting to RM102.6 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 financial year ending 31 December 2011.

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. This ESOS has expired 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:

		Number of Outstanding Options Over Ordinary Shares of RM0.50 each as at 3 March 2008		
Option Price RM	Revised Option Price RM	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
		14,836,900	14,836,900	29,673,800

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

		<——----- Number of Options Over Ordinary Shares of RM0.50 each ——----->				
Option Price RM	Grant Date	1 January 2010	Exercised	Lapsed	Forfeited	31 December 2010
3.335	07/06/06	1,673,200	1,028,000	-	8,200	637,000
3.330	10/08/06	3,216,000	2,256,200	7,000	49,300	903,500
3.325	18/09/06	288,200	188,100	4,200	-	95,900
		5,177,400	3,472,300	11,200	57,500	1,636,400

Options Granted in 2008

		<——----- Number of Options Over Ordinary Shares of RM0.50 each ——----- >				
Option Price RM	Grant Date	1 January 2010	Exercised	Lapsed	Forfeited	31 December 2010
5.160	21/10/08	17,582,900	12,026,600	36,000	91,800	5,428,500
4.930	01/12/08	26,676,600	19,448,500	18,000	63,000	7,147,100
		44,259,500	31,475,100	54,000	154,800	12,575,600

During the year 2010, 34,057,400 ordinary shares of RM0.50 each were allotted.

SHARE CAPITAL

During the financial year, the Company increased its issued and paid-up share capital from RM559,658,366 to RM576,687,066 by way of issuance of 34,057,400 ordinary shares of RM0.50 each through the exercise and allotment of:

(a) 1,008,600 option shares of RM0.50 each at RM3.335 per share pursuant to the ESOS;

(b) 2,207,600 option shares of RM0.50 each at RM3.330 per share pursuant to the ESOS;

(c) 188,100 option shares of RM0.50 each at RM3.325 per share pursuant to the ESOS;

(d) 11,773,200 option shares of RM0.50 each at RM5.160 per share pursuant to the ESOS; and

(e) 18,879,900 option shares of RM0.50 each at RM4.930 per share pursuant to the ESOS.

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 Asmat bin Kamaludin	
Datuk Syed Hisham bin Syed Wazir	*(Appointed on 1 October 2010)*
Dato' Siow Kim Lun @ Siow Kim Lin	
Dr. Leong Chik Weng	
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	
Dato' Mohd. Nizam bin Zainordin	
Khalid bin Sufat	*(Appointed on 1 September 2010)*
Wan Kamaruzaman bin Wan Ahmad	*(Appointed on 1 January 2011)*
Dato' Abdul Halim bin Harun	*(Retired on 1 October 2010)*
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	*(Retired on 17 June 2010)*
Tan Sri Dato' Mohamed Noordin bin Hassan	*(Retired on 17 June 2010)*

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 those arising 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 28 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.

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 ------------------>				
The Company	**1 January 2010**	**Exercise of Options**	**Bought**	**Sold**	**31 December 2010**
Indirect Interest					
Tan Sri Asmat bin Kamaludin	17,000	-	-	-	17,000

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

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position 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 allowance for impairment and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment had been made; 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 allowance for impairment 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.

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 41 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 42 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 21 April 2011.

TAN SRI ASMAT BIN KAMALUDIN

DATUK SYED HISHAM BIN SYED WAZIR

STATEMENT BY DIRECTORS

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

We, **TAN SRI ASMAT BIN KAMALUDIN** and **DATUK SYED HISHAM BIN SYED WAZIR** 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 97 to 221 are 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 2010 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 47 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 April 2011.

TAN SRI ASMAT BIN KAMALUDIN

DATUK SYED HISHAM BIN SYED WAZIR

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 97 to 222 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 21 April 2011)

AZMIN BIN CHE YUSOFF

Before me,

PESURUHJAYA SUMPAH
No: B319
Nama: SHAHIDAH MD YUNOS
MALAYSIA

No. 7-1F
Jln. Boling Padang G 13/G,
Seksyen 13 40100 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 statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 97 to 221.

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 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 38 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

The supplementary information set out in Note 47 on page 222 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Habibah Abdul

Habibah binti Abdul
No. 1219/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
21 April 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Note	2010 RM'000	2009 (restated) RM'000	As at 1.1.2009 (restated) RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	**2,852,305**	2,714,904	1,929,260
Investment properties	5	**81,488**	82,744	94,055
Intangible assets	6	**258,489**	241,498	132,906
Land use rights	7	**4,931**	4,952	5,091
Leased assets	8	**193,998**	169,940	157,899
Investment in associates	11	**1,453,059**	1,453,676	1,468,121
Deferred tax assets	12	**41,286**	26,733	21,331
Other investments	13	**132,463**	52,480	22,279
Derivative assets	14	**63,746**	-	-
		5,081,765	4,746,927	3,830,942
Current assets				
Inventories	15	**1,396,135**	1,303,573	1,453,830
Receivables	16	**1,109,168**	897,271	937,918
Other investments	13	**229,963**	141,100	64,014
Derivative assets	14	**4,897**	-	-
Deposits, cash and bank balances	17	**2,195,051**	1,733,290	1,537,802
		4,935,214	4,075,234	3,993,564
Non-current assets held for sale	18	**6,839**	3,535	3,535
		4,942,053	4,078,769	3,997,099
TOTAL ASSETS		**10,023,818**	8,825,696	7,828,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D.)
AS AT 31 DECEMBER 2010

	Note	2010 RM'000	2009 (restated) RM'000	As at 1.1.2009 (restated) RM'000
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	19	**576,687**	559,658	546,072
Share premium		**716,708**	542,045	414,651
Capital reserve	20	**7,375**	5,793	5,793
Share options reserve	19	**14,514**	41,038	61,169
Foreign currency translation reserve		**(40,826)**	42,666	50,442
Retained profits		**2,752,635**	2,582,659	2,444,126
		4,027,093	3,773,859	3,522,253
Non-controlling interests		**1,239,918**	1,145,909	1,083,167
Total equity		**5,267,011**	4,919,768	4,605,420
Non-current liabilities				
Provision for liabilities	21	**65,492**	65,488	43,995
Deferred tax liabilities	12	**26,428**	22,107	16,027
Long term borrowings	22	**1,858,199**	1,850,598	719,517
Derivative liabilities	14	**21,255**	-	-
		1,971,374	1,938,193	779,539
Current liabilities				
Provision for liabilities	21	**80,818**	64,183	66,620
Taxation		**107,553**	71,732	115,931
Short term borrowings	24	**825,236**	294,144	527,954
Payables	25	**1,610,297**	1,481,472	1,650,514
Dividend payable	34	**156,647**	56,204	82,063
Derivative liabilities	14	**4,882**	-	-
		2,785,433	1,967,735	2,443,082
Total liabilities		**4,756,807**	3,905,928	3,222,621
TOTAL EQUITY AND LIABILITIES		**10,023,818**	8,825,696	7,828,041

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Revenue	26	**12,820,229**	10,720,861
Other operating income	27	**212,338**	113,866
Changes in inventories		**9,915**	(141,531)
Finished goods purchased		**(9,363,681)**	(7,815,037)
Raw materials and consumables used		**(451,075)**	(359,717)
Employee benefits	28	**(700,225)**	(645,137)
Depreciation and amortisation		**(281,589)**	(235,563)
Other operating expenses	29	**(1,036,241)**	(859,841)
Profit from operations		**1,209,671**	777,901
Finance costs	30	**(61,107)**	(34,799)
Investment income	31	**50,849**	32,764
Share of results of associates		**113,806**	70,638
Profit before taxation		**1,313,219**	846,504
Income tax expense	32	**(340,398)**	(199,292)
Profit for the year		**972,821**	647,212
Other comprehensive income			
Foreign currency translation		**(78,724)**	(4,576)
Gain on cash flow hedge		**201**	-
Net asset accretion in:			
- a jointly-controlled entity arising from issuance of ordinary shares		**-**	2,468
- a subsidiary arising from capital contribution by a non-controlling interest		**1,582**	-
Other comprehensive income for the year, net of tax		**(76,941)**	(2,108)
Total comprehensive income for the year		**895,880**	645,104
Profit for the year attributable to:			
Equity holders of the Company		**526,903**	382,395
Non-controlling interests		**445,918**	264,817
		972,821	647,212
Total comprehensive income attributable to:			
Equity holders of the Company		**445,194**	377,087
Non-controlling interests		**450,686**	268,017
		895,880	645,104
Earnings per share attributable to equity holders of the Company (Sen):			
Basic	33	**46.3**	34.6
Diluted	33	**46.1**	34.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	<------ Non-Distributable				------> Distributable				
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity 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
Total comprehensive income	-	-	(7,776)	-	-	384,863	377,087	268,017	645,104
Transactions with owners									
Dividends (Note 34)	-	-	-	-	-	(246,330)	(246,330)	(219,729)	(466,059)
Acquisition of subsidiaries	-	-	-	-	-	-	-	22,706	22,706
Issue of ordinary shares by subsidiaries	-	-	-	-	-	-	-	4,551	4,551
Reduction of non-controlling 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)	-	-	-	-	-
Total transactions with owners	13,586	127,394	-	(20,131)	-	(246,330)	(125,481)	(205,275)	(330,756)
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 STATEMENT OF CHANGES IN EQUITY (CONT'D.)

FOR THE YEAR ENDED 31 DECEMBER 2010

	<---- Non-Distributable					---->	Distributable			
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Hedging Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2010	559,658	542,045	42,666	41,038	5,793	-	2,582,659	3,773,859	1,145,909	4,919,768
Effects of adopting FRS 139	-	-	-	-	-	(201)	17,102	16,901	(6,130)	10,771
	559,658	542,045	42,666	41,038	5,793	(201)	2,599,761	3,790,760	1,139,779	4,930,539
Total comprehensive income	-	-	(83,492)	-	1,582	201	526,903	445,194	450,686	895,880
Transactions with owners										
Dividends (Note 34)	-	-	-	-	-	-	(374,029)	(374,029)	(341,108)	(715,137)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,805	1,805
Issue of ordinary shares by subsidiaries	-	-	-	-	-	-	-	-	324	324
Reduction of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	(11,568)	(11,568)
Issue of ordinary shares pursuant to ESOS	17,029	148,139	-	-	-	-	-	165,168	-	165,168
Effect of exercise of ESOS	-	26,524	-	(26,524)	-	-	-	-	-	-
Total transactions with owners	17,029	174,663	-	(26,524)	-	-	(374,029)	(208,861)	(350,547)	(559,408)
At 31 December 2010	576,687	716,708	(40,826)	14,514	7,375	-	2,752,635	4,027,093	1,239,918	5,267,011

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,313,219**	846,504
Adjustments for:		
Amortisation of land use rights	**160**	139
Amortisation of product development expenditure	**158**	1,575
Bad debts written off	**2,800**	1,013
Depreciation	**281,429**	235,424
Impairment losses on:		
- leased assets	**536**	513
- property, plant and equipment	**16,936**	1,969
- investments in associates	**53,204**	-
Dividend income	**(2,230)**	(781)
Net gain on disposal of investments	**(285)**	(6)
Excess of Group's share in net fair value of the acquired subsidiaries' identifiable assets/liabilities and contingent liabilities over the cost of business combination	**(7,604)**	-
Goodwill written off/impaired	**23,185**	4,745
Interest expense	**61,107**	34,799
Interest income	**(48,619)**	(31,983)
Net gain on disposal of property, plant and equipment, land use rights, investment properties and leased assets	**(13,522)**	(10,613)
Net inventories written down	**10,048**	821
Property, plant and equipment, investment properties and leased assets written off	**1,160**	3,180
(Reversal of impairment)/impairment losses on receivables	**(4,950)**	9,102
Provision for liabilities, net of reversal	**40,662**	38,888
(Write back)/provision of unutilised leave	**(1,035)**	4,325
Reversal of impairment losses of other financial assets	**(1,695)**	(30,477)
Share of results of associates	**(113,806)**	(70,638)
Net fair value gains on derivatives	**(55,002)**	-
Net unrealised foreign exchange (gains)/losses	**(12,071)**	3,607
Operating profit before working capital changes	**1,543,785**	1,042,106
(Increase)/decrease in receivables	**(173,033)**	35,851
(Increase)/decrease in inventories	**(88,669)**	109,977
Decrease in provision for liabilities	**(23,264)**	(22,531)
Increase/(decrease) in payables	**113,857**	(117,750)
Cash generated from operating activities	**1,372,676**	1,047,653
Interest paid	**(59,652)**	(34,799)
Taxes paid	**(311,229)**	(242,498)
Net cash generated from operating activities	**1,001,795**	770,356

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries (Note 9(b))	**(12,718)**	(143,433)
Net cash outflow on acquisition of jointly-controlled entity (Note 10)	**(13,424)**	-
Net cash paid for investments in associates	**-**	(27,432)
Net cash outflow from disposal of subsidiaries	**-**	(25,948)
Purchase of additional equity interests in subsidiaries and associates	**(36,109)**	(109,852)
Research and development expenditure	**-**	(127)
Purchase of property, plant and equipment, land use rights, investment properties and leased assets	**(679,893)**	(600,898)
Proceeds from disposal of property, plant and equipment, land use rights, investment properties and leased assets	**81,486**	39,193
Proceeds from disposal of other investments	**301,095**	225,021
Purchase of other investments	**(467,961)**	(301,838)
Interest received	**48,619**	31,983
Dividends received	**61,643**	109,917
Net cash used in investing activities	**(717,262)**	(803,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of long term borrowings	**461,152**	996,889
Repayment of long term borrowings	**(106,695)**	(135,495)
Net movement in short term borrowings	**270,387**	(279,786)
(Repayment)/drawdown of finance lease payables	**(1,533)**	449
Proceeds from issuance of shares		
- by holding company to shareholders	**165,168**	120,849
- by subsidiaries to non-controlling interests	**324**	9,809
Dividends paid to equity holders of the Company	**(273,586)**	(272,189)
Dividends paid to non-controlling interests	**(341,108)**	(219,729)
Net cash generated from financing activities	**174,109**	220,797
NET INCREASE IN CASH AND CASH EQUIVALENTS	**458,642**	187,739
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**1,699,020**	1,519,699
EFFECTS OF EXCHANGE RATE CHANGES	**(26,901)**	(8,418)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**2,130,761**	1,699,020
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**442,678**	319,756
Deposits with licensed banks (Note 17)	**1,752,373**	1,413,534
Bank overdrafts (Note 24)	**(64,290)**	(34,270)
	2,130,761	1,699,020

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
ASSETS			
Non-current assets			
Investment in subsidiaries	9	**1,095,485**	638,980
Due from subsidiaries	16	**700,047**	1,066,350
Derivative assets	14	**54,082**	-
		1,849,614	1,705,330
Current assets			
Receivables	16	**983**	954
Deposits, cash and bank balances	17	**237,662**	5,415
		238,645	6,369
TOTAL ASSETS		**2,088,259**	1,711,699
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	19	**576,687**	559,658
Share premium		**716,708**	542,045
Share options reserve	19	**14,514**	41,038
Retained profits		**805**	7,366
Total equity		**1,308,714**	1,150,107
Non-current liabilities			
Long term borrowings	22	**609,532**	499,546
Current liabilities			
Payables	25	**13,366**	5,842
Dividend payable	34	**156,647**	56,204
		170,013	62,046
Total liabilities		**779,545**	561,592
TOTAL EQUITY AND LIABILITIES		**2,088,259**	1,711,699

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Revenue	26	**373,258**	250,429
Other operating income	27	**55,159**	-
Other operating expenses	29	**(67,651)**	(23,154)
Profit from operations		**360,766**	227,275
Finance costs	30	**(16,412)**	(4,355)
Investment income	31	**23,690**	2,329
Profit before taxation		**368,044**	225,249
Income tax expense	32	**(501)**	(15)
Profit for the year, representing total comprehensive income for the year		**367,543**	225,234

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

		<--- Non-Distributable	--->	Distributable	
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2009	546,072	414,651	61,169	28,462	1,050,354
Total comprehensive income	-	-	-	225,234	225,234
Transactions with owners					
Dividends (Note 34)	-	-	-	(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)	-	-
Total transactions with owners	13,586	127,394	(20,131)	(246,330)	(125,481)
At 31 December 2009	559,658	542,045	41,038	7,366	1,150,107
At 1 January 2010	**559,658**	**542,045**	**41,038**	**7,366**	**1,150,107**
Effects of adopting FRS 139	**-**	**-**	**-**	**(75)**	**(75)**
	559,658	**542,045**	**41,038**	**7,291**	**1,150,032**
Total comprehensive income	**-**	**-**	**-**	**367,543**	**367,543**
Transactions with owners					
Dividends (Note 34)	**-**	**-**	**-**	**(374,029)**	**(374,029)**
Issue of ordinary shares pursuant to ESOS	**17,029**	**148,139**	**-**	**-**	**165,168**
Effect of exercise of ESOS	**-**	**26,524**	**(26,524)**	**-**	**-**
Total transactions with owners	**17,029**	**174,663**	**(26,524)**	**(374,029)**	**(208,861)**
At 31 December 2010	**576,687**	**716,708**	**14,514**	**805**	**1,308,714**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**368,044**	225,249
Adjustments for:		
Impairment loss of an investment in a subsidiary	**-**	20,000
Financial guarantee income	**(501)**	-
Interest expense	**16,412**	4,355
Interest income	**(23,690)**	(2,329)
Dividend income	**(373,258)**	(250,429)
Net unrealised foreign exchange losses	**64,779**	-
Net fair value gains on derivatives	**(54,658)**	-
Operating loss before working capital changes	**(2,872)**	(3,154)
(Increase)/decrease in receivables	**(66)**	1,712
Decrease/(increase) in amounts due from subsidiaries	**307,387**	(577,003)
Increase/(decrease) in payables	**4,662**	(635)
Cash generated from/(used in) operations	**309,111**	(579,080)
Interest paid	**(14,962)**	-
Tax paid	**(463)**	(80)
Net cash generated from/(used in) operating activities	**293,686**	(579,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**17,826**	339
Dividends received	**373,258**	250,429
Purchase of investments	**(454,000)**	(20,635)
Net cash (used in)/generated from investing activities	**(62,916)**	230,133
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of long term borrowings	**109,895**	499,522
Proceeds from issuance of shares	**165,168**	120,849
Dividends paid to equity holders of the Company	**(273,586)**	(272,189)
Net cash generated from financing activities	**1,477**	348,182
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**232,247**	(845)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**5,415**	6,260
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**237,662**	5,415
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**113,891**	415
Deposits with licensed banks (Note 17)	**123,771**	5,000
	237,662	5,415

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

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 21 April 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand RM except when otherwise indicated.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
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 2	Share-based Payment – Vesting Conditions and Cancellations
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
Improvements to FRS issued in 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	FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group and Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies (Cont'd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8 replaces FRS 114: 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 assessment of the performance of the reportable segments. The Group concluded that the operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. However, the Group reports profit before tax as its segment results instead of profit from operation as required under FRS 114, so as to be in line with the segment information provided to the President & Group CEO.

This is a disclosure standard with no impact on the financial position or financial performance of the Group and the Company.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

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 classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 45). The revised FRS 101 was adopted retrospectively by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies (Cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of retained profits as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

(a) Non-hedging derivatives

Prior to 1 January 2010, all derivative financial instruments were recognised in the financial statements only upon settlement. These instruments do not qualify for hedge accounting under FRS 139. Hence, upon the adoption of FRS 139, all derivatives held by the Group and the Company as at 1 January 2010 are recognised at their fair values totalling RM12,496,000 (net derivative liabilities) and RM576,000 (net derivative liabilities) respectively and are classified as financial assets or financial liabilities at fair value through profit or loss. The Group had also recognised its share of the associates' FRS 139 opening reserve adjustments of RM23,673,000 by adjusting the opening balance of reserves at 1 January 2010.

(b) Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group and the Company have remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained profits as at that date.

(c) Financial guarantee contracts

During the current and prior years, the Group and the Company provided financial guarantees to banks in connection with bank facilities and to third parties in connection with trade credits, granted to its subsidiaries, jointly-controlled entity and associates. Prior to 1 January 2010, the Group and the Company did not provide for such guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, all unexpired financial guarantees issued by the Group and the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies (Cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement (Cont'd.)

The following are effects arising from the above changes in accounting policies:

Statements of Financial Position	As at 31 December 2010 RM'000	Increase/ (decrease) during the year RM'000	As at 1 January 2010 RM'000
Group			
Investment in associates	39,597	15,924	23,673
Trade receivables	2,321	1,689	632
Other receivables	2,949	709	2,240
Derivative assets	68,643	61,971	6,672
Derivative liabilities	26,137	6,969	19,168
Payables – financial guarantees	5,104	1,826	3,278
Retained profits	87,942	70,840	17,102
Hedging reserve	-	201	(201)
Non-controlling interests	(5,673)	457	(6,130)
Company			
Investment in subsidiaries	2,505	-	2,505
Derivative assets	54,082	54,082	-
Derivative liabilities	-	(576)	576
Payables – financial guarantees	1,503	(501)	2,004
Retained profits	55,084	55,159	(75)

Statements of Comprehensive Income	Increase /(decrease) Group 2010 RM'000	Increase /(decrease) Company 2010 RM'000
Other operating income	56,327	55,159
Other operating expenses	(1,689)	-
Share of results of associates	13,080	-
Profit before taxation	71,096	55,159
Profit for the year	71,096	55,159
Other comprehensive income for the year, net of tax	71,297	55,159

	Group Increase 2010 Sen per share
Earnings per share:	
Basic	6.22
Diluted	6.20

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in Accounting Policies (Cont'd.)

Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated.

The following are effects to the consolidated statement of financial position as at 31 December 2010 arising from the above change in accounting policy:

	Group 2010 RM'000
Increase/(decrease) in:	
Property, plant and equipment	**158,220**
Investment properties	**79,844**
Land use rights	**(238,064)**

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Consolidated Statement of Financial Position			
31 December 2009			
Property, plant and equipment	2,546,009	168,895	2,714,904
Investment properties	1,714	81,030	82,744
Land use rights	254,877	(249,925)	4,952
1 January 2009			
Property, plant and equipment	1,792,362	136,898	1,929,260
Investment properties	14,384	79,671	94,055
Land use rights	221,660	(216,569)	5,091

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards and Interpretations Issued but Not Yet Effective

The directors expect that the new FRSs, Amendments to FRSs and Interpretations which are issued but not yet effective for the financial year ended 31 December 2010 will not have any material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

<u>Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements</u>

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with non-controlling interests. The standards may be early-adopted. However, the Group does not intend to early-adopt.

2.4 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 38.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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 reporting date. The financial statements of the Company, its subsidiaries and jointly-controlled entities used in the preparation of the consolidated financial statements shall be prepared as of the same reporting date. When the reporting dates of the Company, a subsidiary or jointly-controlled entity are different, the subsidiary or jointly-controlled entity prepares additional financial statements as of the same date as that of the Company for consolidation purposes.

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 or in the case of jointly-controlled entities, to the extent of the Group's interest. 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.

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 profit or loss.

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 profit or loss.

Non-controlling interests in consolidated statement of comprehensive income and consolidated statement of financial position represent the portion of profit or loss or net assets in subsidiaries not held by the Group, respectively. Non-controlling interests in the consolidated financial position consist of the non-controlling interests' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the non-controlling interests' share of movements in the acquiree's equity since then. Acquisitions of non-controlling interests 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(iii) Associates

Associates 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 statement of comprehensive income, using the equity method of accounting, based upon the audited or management financial statements of the associates as at 31 December 2010. 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 financial position 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 change. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

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 statement of comprehensive income 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 statement of comprehensive income.

Details of associates are disclosed in Note 40.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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 statement of financial position 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 statement of comprehensive income 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.

The jointly-controlled entity is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the jointly-controlled entity.

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 statement of comprehensive income.

Details of jointly-controlled entities are disclosed in Note 39.

(b) 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.

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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:

Leasehold land - finance lease	)	Over lease period of 50 - 99 years
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%

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 profits 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 statement of comprehensive income and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

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 2.4(x).

(c) Land Use Rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of an item of land use right, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Land Use Rights (Cont'd.)

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(x).

(d) 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.

(e) Investment Properties

Investment property is land or buildings held by the Group or held under finance leases, 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:

Leasehold land - finance lease	)	Over lease period of 50 - 99 years
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 profit or loss.

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 2.4(x).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial Assets

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

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

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

(i) Financial assets at fair value through profit or loss

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

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

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

The Group has designated all quoted investments as financial assets at fair value through profit or loss.

(ii) Loans and receivables

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

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

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

Loans and receivables of the Group and the Company comprise of trade and other receivables (other than accrued income, prepayments and tax recoverable), due from related companies and cash and bank balances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial Assets (Cont'd.)

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

All unquoted equity investments of the Group and the Company are designated as available for sale financial assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial Assets (Cont'd.)

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

(g) Impairment of Financial Assets

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

(i) Trade and other receivables and other financial assets carried at amortised cost

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

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

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

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

(ii) Unquoted equity securities carried at cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Impairment of Financial Assets (Cont'd.)

(iii) Available-for-sale financial assets

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

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

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

(h) 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.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Intangible Assets

(i) Goodwill

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

(ii) Research and Development Expenditure

Research expenditure is recognised as an expense when incurred.

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

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

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Foreign Currencies (Cont'd.)

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

Non-monetary Items

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

- **Entity's Financial Statements**

  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.

  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.

- **Consolidated Financial Statements**

  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 other comprehensive income until the disposal of the foreign operations, at which time they are recognised in profit or loss.

(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 profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Foreign Currencies (Cont'd.)

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

	2010 RM	2009 RM
United States Dollar	**3.0635**	3.4265
Singapore Dollar	**2.3856**	2.4282
Sterling Pound	**4.7894**	5.5407
Euro	**3.9847**	4.9384
Australian Dollar	**3.1349**	3.0637
Solomon Islands Dollar	**0.3943**	0.4362
Chinese Renminbi	**0.4637**	0.4985
Swedish Krone	**0.4565**	0.4803
Papua New Guinea Kina	**1.1633**	1.2866
Vietnamese Dong (100 units)	**0.0157**	0.0184
Thai Baht (100 units)	**10.1900**	10.2200
Japanese Yen (100 units)	**3.7766**	3.7060
Indonesian Rupiah (100 units)	**0.0339**	0.0363
Indian Rupee (100 units)	**6.8500**	7.3200
Hong Kong Dollar	**0.3941**	0.4389
Bahrain Dinar	**8.1230**	9.0334
Oman Riyal	**7.9575**	-

(l) Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. Government grants related to income are deducted from the related expenses over the periods in which the entity recognises as expenses, the related costs for which the grants are intended to compensate.

(m) Financial Liabilities

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

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Financial Liabilities (Cont'd.)

(i) Financial liabilities at fair value through profit or loss

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

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

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

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

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

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

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

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

(n) Financial Guarantee Contracts

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Borrowing Costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(p) 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 reporting date.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income, 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.

(q) 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 is recognised net of sales tax and services tax and includes excise duties.

(ii) Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Revenue Recognition (Cont'd.)

(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 2.4(w).

(r) 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.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 2.4(b).

Lease rental payments on operating leases are charged to the statement of comprehensive income 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 statement of financial position. They are depreciated over their expected useful lives as described in Note 2.4(d). Net rental income is recognised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) 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 statement of comprehensive income as incurred.

(iii) Retirement Benefits

The Group contributes to retirement schemes for its employees in accordance with its obligations. The major schemes are the UMW Group Retirement Plan ("UGRP") and the Sejati Motor Retirement Plan ("SMRP"). Both of these schemes are defined benefit plans. These retirement schemes are funded by payments to trusts whose assets are separately administered from those of the Group.

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 schemes 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 statement of financial position 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(s) Employee Benefits (Cont'd.)

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

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

(t) 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 reporting 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.

(u) Share Capital

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(v) 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, are not depreciated.

(w) 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.

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

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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.

(x) 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 reporting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(x) Impairment of Non-Financial Assets (Cont'd.)

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 profit or loss in the period in which it arises except for assets that are previously revalued where the revaluation was taken to other comprehensive income up to the amount of any previous revaluation.

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.

(y) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the President & Group CEO who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Changes in Estimates

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

3.2 Significant Accounting Estimates

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 or at other times when such indicators exist. This requires an estimation of the value-in-use of the CGU to which goodwill is 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 2010 are as follows:

(a) Goodwil on consolidation of RM258,435,000 (2009: RM241,286,000); and

(b) Goodwill on acquisition of associates subsumed within the costs of investment in associates of RM41,942,000 (2009: RM98,552,000).

Further details are disclosed in Notes 6 and 11.

(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 RM33,508,000 (2009: RM12,636,000) and the unrecognised tax losses and capital allowances of the Group was RM366,314,000 (2009: RM339,928,000).

(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 reporting date is disclosed in Note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.2 Significant Accounting Estimates (Cont'd.)

(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 reporting 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 2010, the carrying amount of provision for warranties was RM145,412,000 (2009: RM128,524,000). Further details are provided in Note 21.

4. PROPERTY, PLANT AND EQUIPMENT

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In-Progress RM'000	**Other Assets RM'000	Total RM'000
Group					
Cost/Valuation					
At 1 January 2009					
As previously stated	746,987	945,033	581,760	378,072	2,651,852
Effects of adopting the amendments to FRS117	168,422	-	-	-	168,422
As restated	915,409	945,033	581,760	378,072	2,820,274
Exchange differences	1,238	223	2,787	1,908	6,156
Additions	49,062	254,351	196,108	48,740	548,261
Reclassified from leased assets (Note 8)	-	133	-	-	133
Reclassified from investment properties (Note 5)	18,931	-	-	-	18,931
Acquisitions of subsidiaries (Note 9(c))	-	424,746	53,286	1,331	479,363
Restructuring of a subsidiary (Note 9(d))	(2,522)	(45,550)	(12,497)	(3,677)	(64,246)
Dilution of interest in a jointly-controlled entity	-	(29)	(18,222)	(18)	(18,269)
Write-offs	(1,872)	(5,237)	-	(10,408)	(17,517)
Disposals	(250)	(5,263)	(1,104)	(9,727)	(16,344)
Reclassification	20,933	419,857	(449,436)	8,646	-
At 31 December 2009 (restated)	1,000,929	1,988,264	352,682	414,867	3,756,742
At 1 January 2010					
As previously stated	**797,250**	**1,988,264**	**352,682**	**414,867**	**3,553,063**
Effects of adopting the amendments to FRS117	**203,679**	**-**	**-**	**-**	**203,679**
As restated c/f	**1,000,929**	**1,988,264**	**352,682**	**414,867**	**3,756,742**

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

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In-Progress RM'000	**Other Assets RM'000	Total RM'000
Group (Cont'd.)					
Cost/Valuation (Cont'd.)					
As restated b/f	**1,000,929**	**1,988,264**	**352,682**	**414,867**	**3,756,742**
Exchange differences	**(3,325)**	**(143,652)**	**(20,134)**	**(5,875)**	**(172,986)**
Additions	**63,452**	**357,673**	**97,544**	**47,024**	**565,693**
Reclassified from leased assets (Note 8)	**-**	**259**	**-**	**-**	**259**
Acquisitions of subsidiaries (Note 9(b))	**-**	**18,243**	**-**	**1,461**	**19,704**
Write-offs	**-**	**(5,047)**	**-**	**(5,220)**	**(10,267)**
Disposals	**(7,708)**	**(11,820)**	**(26,699)**	**(25,381)**	**(71,608)**
Reclassification	**30,360**	**202,114**	**(243,292)**	**10,818**	**-**
At 31 December 2010	**1,083,708**	**2,406,034**	**160,101**	**437,694**	**4,087,537**
At 31 December 2010					
At cost	**1,059,686**	**2,406,034**	**160,101**	**437,694**	**4,063,515**
At valuation	**24,022**	**-**	**-**	**-**	**24,022**
	1,083,708	**2,406,034**	**160,101**	**437,694**	**4,087,537**
At 31 December 2009					
At cost	976,907	1,988,264	352,682	414,867	3,732,720
At valuation	24,022	-	-	-	24,022
	1,000,929	1,988,264	352,682	414,867	3,756,742
Accumulated Depreciation and Impairment Losses					
At 1 January 2009					
As previously stated	143,363	476,090	-	240,037	859,490
Effects of adopting the amendments to FRS117	31,524	-	-	-	31,524
As restated	174,887	476,090	-	240,037	891,014
Exchange differences	62	(27)	-	5	40
Acquisitions of subsidiaries (Note 9(c))	-	140	-	513	653
Charge for the year	19,742	114,159	-	45,216	179,117
Reclassified from leased assets (Note 8)	-	86	-	-	86
Reclassified from investment properties (Note 5)	6,300	-	-	-	6,300
Write-offs	-	(4,452)	-	(9,915)	(14,367)
Restructuring of a subsidiary (Note 9(d))	(393)	(12,761)	-	(1,941)	(15,095)
Disposals	(140)	(3,498)	-	(4,238)	(7,876)
Dilution of interest in a jointly-controlled entity	-	(2)	-	(1)	(3)
Impairment	-	1,969	-	-	1,969
Reclassification	(313)	(497)	-	810	-
At 31 December 2009 (restated)	200,145	571,207	-	270,486	1,041,838

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

	*Land and Buildings RM'000	Plant and Machinery RM'000	Assets-In-Progress RM'000	**Other Assets RM'000	Total RM'000
Group (Cont'd.)					
Accumulated Depreciation and Impairment Losses (Cont'd.)					
At 1 January 2010					
As previously stated	**165,361**	**571,207**	**-**	**270,486**	**1,007,054**
Effects of adopting the amendments to FRS117	**34,784**	**-**	**-**	**-**	**34,784**
As restated	**200,145**	**571,207**	**-**	**270,486**	**1,041,838**
Exchange differences	**(553)**	**(10,656)**	**-**	**(2,605)**	**(13,814)**
Acquisitions of subsidiaries (Note 9(b))	**-**	**1,389**	**-**	**703**	**2,092**
Charge for the year	**21,801**	**154,279**	**-**	**43,670**	**219,750**
Reclassified from leased assets (Note 8)	**-**	**199**	**-**	**-**	**199**
Write-offs	**-**	**(4,334)**	**-**	**(4,774)**	**(9,108)**
Disposals	**(258)**	**(7,557)**	**-**	**(14,846)**	**(22,661)**
Impairment	**11,693**	**4,865**	**-**	**378**	**16,936**
Reclassification	**-**	**8**	**-**	**(8)**	**-**
At 31 December 2010	**232,828**	**709,400**	**-**	**293,004**	**1,235,232**
At 31 December 2010					
At cost	**220,502**	**709,400**	**-**	**293,004**	**1,222,906**
At valuation	**12,326**	**-**	**-**	**-**	**12,326**
	232,828	**709,400**	**-**	**293,004**	**1,235,232**
At 31 December 2009					
At cost	188,115	571,207	-	270,486	1,029,808
At valuation	12,030	-	-	-	12,030
	200,145	571,207	-	270,486	1,041,838
Net Carrying Amount					
At 31 December 2010					
At cost	**839,184**	**1,696,634**	**160,101**	**144,690**	**2,840,609**
At valuation	**11,696**	**-**	**-**	**-**	**11,696**
	850,880	**1,696,634**	**160,101**	**144,690**	**2,852,305**
At 31 December 2009					
At cost	788,792	1,417,057	352,682	144,381	2,702,912
At valuation	11,992	-	-	-	11,992
	800,784	1,417,057	352,682	144,381	2,714,904

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

*LAND AND BUILDINGS

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Cost/Valuation							
At 1 January 2009							
As previously stated	139,456	156,098	-	-	161,378	290,055	746,987
Effects of adopting the amendments to FRS117	-	-	142,891	25,531	-	-	168,422
As restated	139,456	156,098	142,891	25,531	161,378	290,055	915,409
Exchange differences	496	142	(91)	(73)	112	652	1,238
Additions	872	3,356	35,492	-	9,094	248	49,062
Reclassified from investment properties (Note 5)	-	-	-	-	-	18,931	18,931
Restructuring of a subsidiary (Note 9(d))	-	-	-	-	-	(2,522)	(2,522)
Write-offs	(450)	-	-	-	(1,422)	-	(1,872)
Reclassification	(1,396)	2,463	179	-	19,640	47	20,933
Disposals	-	-	(250)	-	-	-	(250)
At 31 December 2009 (restated)	138,978	162,059	178,221	25,458	188,802	307,411	1,000,929
At 1 January 2010							
As previously stated	**138,978**	**162,059**	**-**	**-**	**188,802**	**307,411**	**797,250**
Effects of adopting the amendments to FRS117	**-**	**-**	**178,221**	**25,458**	**-**	**-**	**203,679**
As restated	**138,978**	**162,059**	**178,221**	**25,458**	**188,802**	**307,411**	**1,000,929**
Exchange differences	**(1,163)**	**(281)**	**(560)**	**(123)**	**(513)**	**(685)**	**(3,325)**
Additions	**3,750**	**30,576**	**219**	**95**	**28,746**	**66**	**63,452**
Disposals	**-**	**-**	**(7,503)**	**(111)**	**-**	**(94)**	**(7,708)**
Reclassification	**-**	**17,431**	**-**	**-**	**272,984**	**(260,055)**	**30,360**
At 31 December 2010	**141,565**	**209,785**	**170,377**	**25,319**	**490,019**	**46,643**	**1,083,708**

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

*LAND AND BUILDINGS (CONT'D.)

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Cost/Valuation (Cont'd.)							
At 31 December 2010							
At cost	**141,565**	**209,245**	**170,377**	**25,319**	**466,781**	**46,399**	**1,059,686**
At valuation	**-**	**540**	**-**	**-**	**23,238**	**244**	**24,022**
	141,565	**209,785**	**170,377**	**25,319**	**490,019**	**46,643**	**1,083,708**
At 31 December 2009							
At cost	138,978	161,519	178,221	25,458	165,564	307,167	976,907
At valuation	-	540	-	-	23,238	244	24,022
	138,978	162,059	178,221	25,458	188,802	307,411	1,000,929
Accumulated Depreciation and Impairment Losses							
At 1 January 2009							
As previously stated	-	17,538	-	-	53,255	72,570	143,363
Effects of adopting the amendments to FRS117	-	-	21,966	9,558	-	-	31,524
As restated	-	17,538	21,966	9,558	53,255	72,570	174,887
Exchange differences	-	28	(52)	(17)	-	103	62
Charge for the year	-	3,268	2,933	536	11,766	1,239	19,742
Restructuring of a subsidiary (Note 9(d))	-	-	-	-	-	(393)	(393)
Reclassified from investment properties (Note 5)	-	-	-	-	-	6,300	6,300
Reclassification	-	-	-	-	(450)	137	(313)
Disposals	-	-	(140)	-	-	-	(140)
At 31 December 2009 (restated)	-	20,834	24,707	10,077	64,571	79,956	200,145

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

*LAND AND BUILDINGS (CONT'D.)

	Freehold land RM'000	Buildings on freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings on long term leasehold land RM'000	Buildings on short term leasehold land RM'000	Total RM'000
Accumulated Depreciation and Impairment Losses (Cont'd.)							
At 1 January 2010							
As previously stated	**-**	**20,834**	**-**	**-**	**64,571**	**79,956**	**165,361**
Effects of adopting the amendments to FRS117	**-**	**-**	**24,707**	**10,077**	**-**	**-**	**34,784**
As restated	**-**	**20,834**	**24,707**	**10,077**	**64,571**	**79,956**	**200,145**
Exchange differences	**-**	**(28)**	**(337)**	**(31)**	**(5)**	**(152)**	**(553)**
Charge for the year	**-**	**4,175**	**2,694**	**571**	**13,437**	**924**	**21,801**
Disposals	**-**	**-**	**(152)**	**(53)**	**-**	**(53)**	**(258)**
Impairment	**-**	**-**	**-**	**-**	**11,693**	**-**	**11,693**
Reclassification	**-**	**-**	**-**	**-**	**55,613**	**(55,613)**	**-**
At 31 December 2010	**-**	**24,981**	**26,912**	**10,564**	**145,309**	**25,062**	**232,828**
At 31 December 2010							
At cost	**-**	**24,827**	**26,912**	**10,564**	**133,381**	**24,818**	**220,502**
At valuation	**-**	**154**	**-**	**-**	**11,928**	**244**	**12,326**
	-	**24,981**	**26,912**	**10,564**	**145,309**	**25,062**	**232,828**
At 31 December 2009							
At cost	-	20,688	24,707	10,077	52,931	79,712	188,115
At valuation	-	146	-	-	11,640	244	12,030
	-	20,834	24,707	10,077	64,571	79,956	200,145
Net Carrying Amount							
At 31 December 2010							
At cost	**141,565**	**184,418**	**143,465**	**14,755**	**333,400**	**21,581**	**839,184**
At valuation	**-**	**386**	**-**	**-**	**11,310**	**-**	**11,696**
	141,565	**184,804**	**143,465**	**14,755**	**344,710**	**21,581**	**850,880**
At 31 December 2009							
At cost	138,978	140,831	153,514	15,381	112,633	227,455	788,792
At valuation	-	394	-	-	11,598	-	11,992
	138,978	141,225	153,514	15,381	124,231	227,455	800,784

4. 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:

	2010 RM'000	2009 RM'000
Land and building	**10,370**	10,370
Plant and machinery	**234,387**	255,416
Office equipment, furniture and fittings and motor vehicles	**164,264**	172,953

(b) Details of independent professional valuations of land and buildings owned by the Group at 31 December 2010 which are carried at valuation are as follows:

Year of Valuation	Description of Property	Amount RM'000	Basis of Valuation
1979	Land and buildings in Shah Alam, Selangor	14,333	Open market value
1979	Land and building in Tawau, Sabah	244	Open market value
1979	Land and building in Kota Kinabalu, Sabah	5,435	Open market value
1984	Land and building in Temerloh, Pahang	256	Open market value
1985	Land and building in Kuantan, Pahang	3,470	Open market value
1985	Land and building in Ipoh, Perak	284	Open market value
		24,022	

(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 RM1,257,556 (2009: RM2,788,674).

(e) Interest expense capitalised during the financial year under assets-in-progress of the Group amounted to RM17,896,000 (2009: RM27,283,000), as disclosed in Note 30.

(f) The net book values of property, plant and equipment pledged for borrowings (Note 22 and Note 24) are as follows:

	Group	
	2010 RM'000	2009 RM'000
Plant and machinery and assets-in-progress	**264,436**	235,554
Land and buildings	**78,438**	14,178
Others	**6,380**	10,947
	349,254	260,679

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

(g) During the financial year, a subsidiary of the Group carried out a review of the recoverable amount of its property, plant and equipment, because the subsidiary has been incurring losses. An impairment loss of RM11,692,549 (2009: RM1,968,922), representing the write-down of the property, plant and equipment to the recoverable amount, was recognised in "Other operating expenses" line item of the statement of comprehensive income for the financial year ended 31 December 2010. The recoverable amount of the property, plant and equipment was based on an independent professional valuation less estimated cost to sell.

5. INVESTMENT PROPERTIES

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Building on short term leasehold land RM'000	Total RM'000
Group						
Cost						
At 1 January 2009						
As previously stated	129	260	-	291	20,304	20,984
Effects of adopting the amendments to FRS117	-	-	87,654	-	-	87,654
As restated	129	260	87,654	291	20,304	108,638
Exchange differences	-	-	-	-	182	182
Additions	-	1,350	2,982	150	-	4,482
Disposals	-	-	-	(180)	(1,555)	(1,735)
Write-offs	-	-	-	(37)	-	(37)
Reclassified to property, plant and equipment (Note 4)	-	-	-	-	(18,931)	(18,931)
At 31 December 2009 (restated)	129	1,610	90,636	224	-	92,599
At 1 January 2010						
As previously stated	**129**	**1,610**	**-**	**224**	**-**	**1,963**
Effects of adopting the amendments to FRS117	**-**	**-**	**90,636**	**-**	**-**	**90,636**
As restated	**129**	**1,610**	**90,636**	**224**	**-**	**92,599**
Additions	**-**	**-**	**4,057**	**-**	**-**	**4,057**
Reclassified to asset held for sale	**-**	**-**	**(3,304)**	**-**	**-**	**(3,304)**
At 31 December 2010	**129**	**1,610**	**91,389**	**224**	**-**	**93,352**

5. INVESTMENT PROPERTIES (CONT'D.)

	Freehold land RM'000	Building on freehold land RM'000	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Building on short term leasehold land RM'000	Total RM'000
Group (Cont'd.)						
Accumulated Depreciation						
1 January 2009						
As previously stated	-	104	-	92	6,404	6,600
Effects of adopting the amendments to FRS117	-	-	7,983	-	-	7,983
As restated	-	104	7,983	92	6,404	14,583
Exchange differences	-	-	-	-	57	57
Charge for the year	-	5	1,623	3	303	1,934
Disposals	-	-	-	(79)	(332)	(411)
Write-offs	-	-	-	(8)	-	(8)
Reclassification	-	-	-	132	(132)	-
Reclassified to property, plant and equipment (Note 4)	-	-	-	-	(6,300)	(6,300)
At 31 December 2009 (restated)	-	109	9,606	140	-	9,855
At 1 January 2010						
As previously stated	**-**	**109**	**-**	**140**	**-**	**249**
Effects of adopting the amendments to FRS117	**-**	**-**	**9,606**	**-**	**-**	**9,606**
As restated	**-**	**109**	**9,606**	**140**	**-**	**9,855**
Exchange differences	**-**	**27**	**-**	**-**	**-**	**27**
Charge for the year	**-**	**32**	**1,939**	**11**	**-**	**1,982**
At 31 December 2010	**-**	**168**	**11,545**	**151**	**-**	**11,864**
Net Carrying Amount						
At 31 December 2010	**129**	**1,442**	**79,844**	**73**	**-**	**81,488**
At 31 December 2009	129	1,501	81,030	84	-	82,744

Fair value of investment properties as at 31 December 2010 was estimated by the directors to be approximately RM255,617,000 (2009: RM255,617,000) based on internal appraisal of market values of comparable properties.

6. INTANGIBLE ASSETS

	Group 2010 RM'000	Group 2009 RM'000
Goodwill on consolidation (Note a)	**258,435**	241,286
Product development expenditure (Note b)	**54**	212
	258,489	241,498

(a) Goodwill on Consolidation

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	**241,286**	131,246
Arising from acquisitions of subsidiaries (Note 9(b) and 9(c))	**6,867**	7,599
Restructuring of a subsidiary (Note 9(d))	**-**	4,330
Investment in a jointly-controlled entity (Note 10)	**13,424**	-
Arising from acquisitions of additional shares in subsidiaries (Note 9(e)(ii) and 9(f))	**27,244**	100,128
Written off/impaired	**(23,185)**	(4,745)
Exchange differences	**(7,201)**	2,728
At 31 December	**258,435**	241,286

(b) Product Development Expenditure

	Group 2010 RM'000	Group 2009 RM'000
At 1 January	**212**	1,660
Additions	**-**	127
Charged to profit or loss	**(158)**	(1,575)
At 31 December	**54**	212

6. 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:

	Malaysia RM'000	People's Republic of China RM'000	India RM'000	Singapore RM'000	Oman RM'000	Total RM'000
At 31 December 2010						
Oil and Gas	**18,474**	**72,367**	**87,347**	**16,724**	**6,867**	**201,779**
Manufacturing and Engineering	**-**	**-**	**70,011**	**-**	**-**	**70,011**
	18,474	**72,367**	**157,358**	**16,724**	**6,867**	**271,790**
Exchange differences	**-**	**(380)**	**(13,086)**	**510**	**(399)**	**(13,355)**
	18,474	**71,987**	**144,272**	**17,234**	**6,468**	**258,435**
At 31 December 2009						
Oil and Gas	18,474	78,942	60,104	16,724	-	174,244
Manufacturing and Engineering	3,104	-	70,011	-	-	73,115
Others	81	-	-	-	-	81
	21,659	78,942	130,115	16,724	-	247,440
Exchange differences	-	-	(6,951)	797	-	(6,154)
	21,659	78,942	123,164	17,521	-	241,286

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 extrapolated based on year five cash flows into perpetuity using pre-tax discount rate. Key assumptions used for value-in-use calculations are:

	Gross Margin 2010	Gross Margin 2009	Discount Rates 2010	Discount Rates 2009
Oil and Gas:				
People's Republic of China	**9.0 - 47.0**	11.0	**12.0 - 20.0**	12.0
India	**14.0 - 45.0**	18.0 - 37.0	**7.0 - 17.0**	7.0 - 13.0
Manufacturing and Engineering:				
India	**30.0 - 37.0**	25.0 - 35.0	**17.0**	14.0

6. INTANGIBLE ASSETS (CONT'D.)

(c) Impairment Tests For Goodwill (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.

7. LAND USE RIGHTS

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Group			
Cost			
At 1 January 2009			
As previously stated	230,545	31,378	261,923
Effects of adopting the amendments to FRS117	(230,545)	(25,531)	(256,076)
At 1 January 2009 (restated)/31 December 2009	-	5,847	5,847
At 1 January 2010			
As previously stated	**268,857**	**31,305**	**300,162**
Effects of adopting the amendments to FRS117	**(268,857)**	**(25,458)**	**(294,315)**
As restated	**-**	**5,847**	**5,847**
Additions	**-**	**139**	**139**
At 31 December 2010	**-**	**5,986**	**5,986**
Accumulated Depreciation and Impairment Losses			
At 1 January 2009			
As previously stated	29,949	10,314	40,263
Effects of adopting the amendments to FRS117	(29,949)	(9,558)	(39,507)
As restated	-	756	756
Charge for the year	-	139	139
At 31 December 2009 (restated)	-	895	895

7. LAND USE RIGHTS (CONT'D.)

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Group (Cont'd.)			
Accumulated Depreciation and Impairment Losses (Cont'd.)			
At 1 January 2010			
As previously stated	**34,313**	**10,972**	**45,285**
Effects of adopting the amendments to FRS117	**(34,313)**	**(10,077)**	**(44,390)**
As restated	**-**	**895**	**895**
Charge for the year	**-**	**160**	**160**
At 31 December 2010	**-**	**1,055**	**1,055**
Net Carrying Amount			
At 31 December 2010	**-**	**4,931**	**4,931**
At 31 December 2009	-	4,952	4,952

8. LEASED ASSETS

	Machinery and Equipment RM'000
Group	
Cost	
At 1 January 2009	286,798
Exchange differences	(326)
Additions	48,155
Reclassified to property, plant and equipment (Note 4)	(133)
Reclassified from inventories	37,785
Write-offs	(52)
Disposals	(46,127)
At 31 December 2009	**326,100**
Exchange differences	**(6,222)**
Additions	**110,004**
Reclassified to property, plant and equipment (Note 4)	**(259)**
Reclassified to inventories	**(2,885)**
Write-offs	**(71)**
Disposals	**(59,831)**
At 31 December 2010	**366,836**

8. LEASED ASSETS (CONT'D.)

	Machinery and Equipment RM'000
Group (Cont'd.)	
Accumulated Depreciation and Impairment Losses	
At 1 January 2009	128,899
Exchange differences	(151)
Charge for the year	54,373
Reclassified to property, plant and equipment (Note 4)	(86)
Write-offs	(51)
Disposals	(27,337)
Impairment of assets	513
At 31 December 2009	**156,160**
Exchange differences	**(2,220)**
Charge for the year	**59,697**
Reclassified to property, plant and equipment (Note 4)	**(199)**
Reclassified to inventories	**(252)**
Write-offs	**(70)**
Disposals	**(40,814)**
Impairment	**536**
At 31 December 2010	**172,838**
Net Carrying Amount	
At 31 December 2010	**193,998**
At 31 December 2009	169,940

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:

	2010 RM'000	2009 RM'000
Due within one year	**102,645**	81,960
Due between one and two years	**59,968**	50,313
Due between two and five years	**64,399**	39,430
Due after five years	**20,000**	17,000
	247,012	188,703

Included in leased assets of the Group are fully depreciated assets which are still in use with their carrying costs of RM60,754,000 (2009: RM71,276,000).

9. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares in Malaysia, at costs	**1,003,886**	549,886
Impairment losses	**(20,000)**	(20,000)
	983,886	529,886
ESOS granted to employees of subsidiaries	**109,094**	109,094
Provision for financial guarantee	**2,505**	-
	1,095,485	638,980

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) a wholly-owned Malaysian incorporated subsidiary, UMW Malaysian Ventures Sdn. Bhd.. This subsidiary's principal activity is that of investment holding.

(v) 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 38 to the financial statements.

(a) Subsidiaries under members' voluntary liquidation

The following subsidiaries have been placed under members' voluntary liquidation:

		Date Placed Under Liquidation
(i)	UMW Orient Sdn. Berhad	5 April 2002
(ii)	UMW Industries (Philippines) Inc.	17 April 2002
(iii)	UMW Auto Parts (Thailand) Co., Ltd.	26 December 2009

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

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) Acquisitions of subsidiaries during the financial year ended 31 December 2010

(i) UMW Australia Ventures Sdn. Bhd.

On 2 February 2010, UMW Oil & Gas Berhad, a wholly-owned subsidiary of the Company, 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.

The above acquisition had no material effect on the Group's 2010 financial results and cash flows.

(ii) UMW Pennzoil Distributors Sdn. Bhd.

On 29 November 2010, UMW Auto Parts Sdn. Bhd. ("UAP"), a wholly-owned subsidiary in the UMW Group, entered into a Share Sale Agreement with Pennzoil-Quaker State Company, for the acquisition of 500,000 ordinary shares of par value RM1.00 each, being the remaining 50% of the issued and paid-up share capital of UMW Pennzoil Distributors Sdn. Bhd. ("UPD") for a cash consideration of RM9,101,942.

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

	2010 RM'000
Revenue	16,733
Net profit for the year	751

The fair values of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 4)	3,386	3,386
Deferred tax assets (Note 12)	538	538
Inventories	25,354	25,354
Trade and other receivables	29,208	29,208
Cash and bank balances	3,778	3,778
	62,264	62,264
Trade and other payables	(20,054)	(20,054)
Short term borrowings	(14,317)	(14,317)
	(34,371)	(34,371)
Fair value of identifiable net assets acquired	27,893	27,893
Less: Amount accounted for as an associate	(13,947)	
Excess of Group's share in the net fair value of acquired subsidiary's identifiable assets, liabilities and contingent liabilities	(4,809)	
Cost of acquisition	9,137	

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) Acquisitions of subsidiaries during the financial year ended 31 December 2010 (Cont'd.)

(ii) UMW Pennzoil Distributors Sdn. Bhd. (Cont'd.)

	RM'000
The cash outflows on acquisitions are as follows:	
Cash and cash equivalents of subsidiaries acquired	3,778
Cost of acquisition satisfied by cash	(9,137)
Net cash outflow of the Group	(5,359)

(iii) Arabian Drilling Services L.L.C.

On 23 July 2009, UMW Sher (L) Ltd. ("UMW Sher"), 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 L.L.C. ("ADS") for a total cash consideration of RO1,140,568 (equivalent to approximately USD2,965,477). Subsequently on 6 April 2010, UMW Middle East Ventures Holding W.L.L., a wholly-owned subsidiary in the Group, bought over the 65% interest in ADS from UMW Sher for the same amount in cash.

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

	2010 RM'000
Revenue	29,348
Net profit for the year	3,312

The fair values of the identifiable assets acquired and liabilities assumed from the acquisition of subsidiary as at the effective acquisition date were as follows:

	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Property, plant and equipment (Note 4)	14,226	14,226
Other receivables	26,686	26,686
Cash and bank balances	2,860	2,860
	43,772	43,772
Trade and other payables	(22,316)	(22,316)
Borrowings	(16,299)	(16,299)
	(38,615)	(38,615)
Fair value of identifiable net assets acquired	5,157	5,157
Less: Non-controlling interests	(1,805)	
Goodwill on consolidation (Note 6(a))	6,867	
Cost of acquisition	10,219	

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(b) Acquisitions of subsidiaries during the financial year ended 31 December 2010 (Cont'd.)

(iii) Arabian Drilling Services L.L.C. (Cont'd.)

	RM'000
The cash outflows on acquisitions are as follows:	
Cash and cash equivalents of subsidiary acquired	**2,860**
Cost of acquisition satisfied by cash	**(10,219)**
Net cash outflow of the Group	**(7,359)**

If the above combinations had taken place on 1 January 2010, the Group's revenue and profit for the year would have been materially unchanged.

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

(i) 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% 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 USD46,500,000 (equivalent to approximately RM157,639,000). Upon completion of these acquisitions, Std 1, Std 3 and USD became wholly-owned subsidiaries in the Group.

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

	2009 RM'000
Net loss for the year	(3,604)

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 4)	442,734	534,088
Trade and other receivables	1,776	1,776
Cash and bank balances	14,004	14,004
	458,514	549,868
Trade and other payables	(8,074)	(8,074)
Borrowings	(293,192)	(293,192)
Taxation	(24)	(24)
	(301,290)	(301,290)
Fair value of net assets acquired	157,224	248,578
Goodwill on consolidation (Note 6(a))	415	
Cost of acquisition	157,639	

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

(i) UMW Standard 1 Pte. Ltd., UMW Standard 3 Pte. Ltd. and UMW Standard Drilling Sdn. Bhd. (Cont'd.)

	RM'000
The cash outflows on acquisitions are as follows:	
Cash and cash equivalents of subsidiaries acquired	14,004
Cost of acquisition satisfied by cash	(157,639)
Net cash outflow of the Group	(143,635)

(ii) 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. Upon completion of the acquisition, SGSB became a 60%-owned subsidiary in 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 allotments, both MKAIL and DMPL became subsidiaries in 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 RM2.00.

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

	2009 RM'000
Revenue	23,226
Net loss for the year	(3,040)

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

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

(ii) 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 4)	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
	66,961	66,961
Trade and other payables	(18,329)	(18,329)
Borrowings	(25,483)	(25,483)
Taxation	(140)	(140)
	(43,952)	(43,952)
Fair value of net assets	23,009	23,009
Less: Non-controlling 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 6(a))	7,184	
Cost of acquisition	13,140	

The cash outflows on acquisitions are as follows:

Total cost of acquistion satisfied by cash:	
Paid in 2009	5,830
Paid in 2010 - Allotment of additional shares	3,110
Profit guarantee retained to be paid in future	4,200
	13,140
Cash and cash equivalents of subsidiaries acquired	6,032
Cash outflows on acquisitions	(5,830)
Net cash inflow of the Group	202

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(d) Restructuring of a subsidiary during the financial year ended 31 December 2009

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
Assets disposed off:		
Property, plant and equipment (Note 4)	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	
	82,478	
Liabilities disposed off:		
Trade payables	(37,110)	
Other payables	(21,802)	
Due to related parties	(32,032)	
Taxation	(3,385)	
Deferred tax liabilities (Note 12)	(217)	
	(94,546)	
Fair value of net liabilities disposed off	(12,068)	
Non-controlling interests' share of net liabilities	5,035	
Share of net liabilities disposed off		7,033
Total net assets acquired		19,793
Goodwill written off		4,330
Cost of acquisition		24,123

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(e) Acquisitions of additional interests in subsidiaries for the year ended 31 December 2010

(i) Lubetech Sdn. Bhd.

On 29 November 2010, UMW Auto Parts Sdn. Bhd. ("UAP"), a wholly-owned subsidiary in the UMW Group, entered into a Share Sale Agreement with Pennzoil-Quaker State Company, for the acquisition of 324,000 ordinary shares of par value RM1.00 each, being the remaining 30% of the issued and paid-up share capital of Lubetech Sdn. Bhd., for a cash consideration of RM5,898,058.

The effects of the acquisition of additional equity interests are:

	RM'000
Cost of acquisition satisfied by cash	**5,919**
Fair value of net assets acquired	**8,714**
Excess of Group's share in the net fair value of acquired subsidiary's identifiable assets, liabilities and contingent liabilities	**(2,795)**

(ii) UMW India Ventures (L) Ltd.

On 18 September 2009, UMW Petropipe (L) Ltd. ("UMW Petropipe"), a wholly-owned subsidiary of the Company, 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 was completed in 2 tranches of 5% each in the third quarter of 2009 and the first quarter of 2010. Upon completion of the acquisition, UMW Petropipe's equity interest in UMWIV increased from 65% to 75%.

The effects of the acquisition of additional 10% equity interest in financial year 2010 and 2009 are as follows:

	2010 RM'000	2009 RM'000
Cost of acquisition satisfied by cash	**30,190**	30,974
Fair value of net assets acquired	**2,946**	3,372
Goodwill on acquisition (Note 6(a))	**27,244**	27,602

(f) Acquisitions of additional interests in subsidiaries for the year ended 31 December 2009

(i) UMW Linepipe (L) Ltd. and UMW ACE (BVI) Ltd.

On 19 November 2008, UMW Petropipe (L) Ltd., a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement 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.

9. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(f) Acquisitions of additional interests in subsidiaries for the year ended 31 December 2009 (Cont'd.)

(i) UMW Linepipe (L) Ltd. and UMW ACE (BVI) Ltd. (Cont'd.)

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

UMW's shareholding	Pre-acquisition %	Post-acquisition %
UMW Linepipe	51	66.1
UMW ACE	60	70

The effects of the acquisition of additional equity interests are:

	RM'000
Cost of acquisition satisfied by cash	76,319
Fair value of net assets acquired	4,987
Goodwill on acquisition (Note 6(a))	71,332

(ii) 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 RM13.61 million) and SGD4,987,524 (equivalent to approximately RM12.12 million), respectively. Upon completion of the internal restructuring, OCS became a 60%-owned subsidiary in the Group.

The effects of the acquisition of additional equity interests are:

	RM'000
Cost of acquisition satisfied by cash	2,559
Fair value of net assets acquired	1,365
Goodwill on acquisition (Note 6(a))	1,194

10. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES

(a) Acquisition of Sichuan Haihua Petroleum Steelpipe Co. Ltd.

On 3 March 2010, the Group received the certificate for the establishment of Sichuan Haihua Petroleum Steelpipe Co. Ltd. ("SHPS") in Guanghan county, Sichuan Province in the People's Republic of China, from the China authorities. On 22 October 2009, UMW Singapore Ventures Pte. Ltd., a wholly-owned subsidiary in 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 SHPS. The Group has 40% equity interest in SHPS.

10. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (CONT'D.)

(a) Acquisition of Sichuan Haihua Petroleum Steelpipe Co. Ltd. (Cont'd.)

The above acquisition had the following effects on the Group's financial results for the current year:

	2010 RM'000
Revenue	3,780
Net profit for the year	822

If the acquisition had occurred on 1 January 2010, the results of the Group would remain unchanged.

The fair values of the Group's share of the identifiable assets acquired and liabilities assumed from the acquisition of the jointly-controlled entity as at the effective acquisition date were as follows:

	2010	
	Fair value recognised on acquisition RM'000	Acquiree's carrying amount RM'000
Cash and bank balances	5,726	5,726
Fair value of identifiable net assets acquired	5,726	
Goodwill on consolidation (Note 6(a))	13,424	
Cost of acquisition	19,150	

The cash outflows on acquisitions are as follows:

Cash and cash equivalents of jointly-controlled entity acquired	5,726
Cash outflows on acquisitions	(19,150)
Net cash outflow of the Group	(13,424)

Details of the jointly-controlled entities are disclosed in Note 39 to the financial statements.

10. INVESTMENT IN JOINTLY-CONTROLLED ENTITIES (CONT'D.)

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

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

	2010 RM'000	2009 RM'000
Assets and liabilities		
Current assets	**75,903**	54,055
Non-current assets	**258,084**	205,913
Total assets	**333,987**	259,968
Current liabilities	**49,899**	23,632
Non-current liabilities	**221,013**	170,321
Total liabilities	**270,912**	193,953
Results		
Revenue	**12,140**	-
Loss for the year	**(15,830)**	(3,287)

The Group's interest in capital commitments of the jointly-controlled entities are as follows:

	2010 RM'000	2009 RM'000
- approved and contracted for	**2,580**	40,119
- approved and not contracted for	**20,595**	11,359

11. INVESTMENT IN ASSOCIATES

	Group	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	**513,718**	513,718
Share of post-acquisition reserves	**856,381**	843,391
	1,370,099	1,357,109
Accretion arising from issuance of new shares	**117,089**	117,089
Accumulated impairment losses	**(73,726)**	(20,522)
	1,413,462	1,453,676
Effects of adopting FRS 139	**39,597**	-
	1,453,059	1,453,676

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 2010.

11. INVESTMENT IN ASSOCIATES (CONT'D.)

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

	2010 RM'000	2009 RM'000
Group's share of aggregate net assets	**1,411,117**	1,355,124
Group's goodwill on acquisition	**41,942**	98,552
	1,453,059	1,453,676

Details of the associates are disclosed in Note 40 to the financial statements.

The financial statements of the associates disclosed in Note 40 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 their 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-month period ended 31 December 2010 of these companies have been used.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Current assets	**7,332,759**	7,673,512
Non-current assets	**4,375,198**	3,976,657
Total assets	**11,707,957**	11,650,169
Current liabilities	**4,045,811**	4,203,393
Non-current liabilities	**3,546,842**	3,158,798
Total liabilities	**7,592,653**	7,362,191
Results		
Revenue	**11,443,503**	10,869,117
Profit for the year	**192,036**	181,122

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

	2010 RM'000	2009 RM'000
Goodwill		
At 1 January	**98,552**	76,581
Arising during the year	**-**	21,971
Impaired during the year	**(56,610)**	-
At 31 December	**41,942**	98,552

11. INVESTMENT IN ASSOCIATES (CONT'D.)

(i) Acquisitions of additional interests in associates; Shanghai Tube-Cote Petroleum Pipe Coating Co. Ltd. and Jiangsu Tube-Cote Shuguang Coating Co. Ltd. for the year ended 31 December 2009

On 19 November 2008, UMW Petropipe (L) Ltd., a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement with ACE Tubular Technologies Pte. Ltd., for the acquisitions of 9% equity interest in Shanghai Tube-Cote Petroleum Pipe Coating Co. Ltd. ("STPPC") and 4.44% equity interest in Jiangsu Tube-Cote Shuguang Coating Co. Ltd. ("JTSC") for a cash consideration of USD4.2 million and USD3.388 million, respectively.

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

UMW's shareholding	Pre-acquisition %	Post-acquisition %
STPPC	40	49
JTSC	20	28.1

The effects of the acquisition of additional equity interests are:

	RM'000
Cost of acquisition satisfied by cash	27,432
Fair value of net assets acquired	5,461
Goodwill on acquisition	21,971

12. DEFERRED TAXATION

	Group	
	2010 RM'000	2009 RM'000
At 1 January	**(4,626)**	(5,304)
Recognised in the profit or loss (Note 32)	**(10,211)**	397
Acquisition of a subsidiary (Note 9(b))	**(538)**	-
Restructuring of a subsidiary (Note 9(d))	**-**	2,898
Exchange differences	**517**	(2,617)
At 31 December	**(14,858)**	(4,626)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(41,286)**	(26,733)
Deferred tax liabilities	**26,428**	22,107
	(14,858)	(4,626)

12. DEFERRED TAXATION (CONT'D.)

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred Tax Liabilities of the Group:

	Revaluation of Property RM'000	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2010	**2,250**	**30,047**	**3,810**	**36,107**
Recognised in profit or loss	**891**	**10,968**	**(4,118)**	**7,741**
Exchange differences	**-**	**(144)**	**23**	**(121)**
At 31 December 2010	**3,141**	**40,871**	**(285)**	**43,727**
At 1 January 2009	2,384	30,154	1,289	33,827
Recognised in profit or loss	(134)	1,156	2,328	3,350
Restructuring of a subsidiary (Note 9(d))	-	-	(217)	(217)
Exchange differences	-	(1,263)	410	(853)
At 31 December 2009	2,250	30,047	3,810	36,107

Deferred Tax Assets of the Group:

	Unabsorbed Capital Allowances RM'000	Provision for Liabilities RM'000	Unabsorbsed Losses RM'000	Others RM'000	Total RM'000
At 1 January 2010	**(696)**	**(23,346)**	**(2,463)**	**(14,228)**	**(40,733)**
Recognised in profit or loss	**(1,430)**	**(5,431)**	**(3,301)**	**(7,790)**	**(17,952)**
Acquisition of a subsidiary (Note 9(b))	**(538)**	**-**	**-**	**-**	**(538)**
Exchange differences	**51**	**457**	**-**	**130**	**638**
At 31 December 2010	**(2,613)**	**(28,320)**	**(5,764)**	**(21,888)**	**(58,585)**
At 1 January 2009	(1,206)	(22,508)	(2,760)	(12,657)	(39,131)
Recognised in profit or loss	510	(2,769)	297	(991)	(2,953)
Restructuring of a subsidiary (Note 9(d))	-	3,115	-	-	3,115
Exchange differences	-	(1,184)	-	(580)	(1,764)
At 31 December 2009	(696)	(23,346)	(2,463)	(14,228)	(40,733)

The availability of the unabsorbed tax losses and unutilised capital and reinvestment allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

12. DEFERRED TAXATION (CONT'D.)

Deferred tax assets have not been recognised in respect of these items:

	Group	
	2010 RM'000	2009 RM'000
Unabsorbed tax losses	**288,477**	271,946
Unutilised capital and reinvestment allowances	**77,837**	67,982
	366,314	339,928

Deferred tax assets have not been recognised in respect of these items as there is no probable expectation that future taxable income will be sufficient to allow the benefit to be realised.

13. OTHER INVESTMENTS

	Group	
	2010 RM'000	2009 RM'000
Current		
Held for trading investments		
Investments in cash funds	**229,963**	141,100
Non-Current		
Held-to-maturity investments		
Investment in cash funds	**1,000**	-
Designated as fair value through profit or loss		
Quoted shares outside Malaysia at cost	**-**	50,705
Quoted shares outside Malaysia at fair value	**48,944**	-
	48,944	50,705
Available-for-sale financial assets		
Unquoted shares outside Malaysia at cost	**77,870**	95
Unquoted shares within Malaysia at cost	**5,275**	8,118
	83,145	8,213
Less: Accumulated impairment losses	**(626)**	(6,438)
	82,519	1,775
Total non-current other investments	**132,463**	52,480
Market value of cash funds	**229,963**	141,100
Market value of shares quoted outside Malaysia	**48,944**	62,242

14. DERIVATIVES

Group

	2010			As at 1.1.2010 (restated)		
	Notional Value RM'000	Assets RM'000	Liabilities RM'000	Notional Value RM'000	Assets RM'000	Liabilities RM'000
Current						
Forward currency contracts	786,400	585	4,882	372,816	1,384	40
Embedded derivatives	312,297	4,312	-	327,746	799	3,140
	1,098,697	4,897	4,882	700,562	2,183	3,180
Non-Current						
Interest rate swaps with currency options	199,503	-	21,255	179,720	-	15,988
Cross currency cum interest rate swaps	601,182	63,746	-	539,136	4,489	-
	800,685	63,746	21,255	718,856	4,489	15,988

Company

	2010			As at 1.1.2010 (restated)		
	Notional Value RM'000	Assets RM'000	Liabilities RM'000	Notional Value RM'000	Assets RM'000	Liabilities RM'000
Non-Current						
Cross currency cum interest rate swaps	551,907	54,082	-	490,903	-	576

The Group and the Company use forward currency contracts, cross currency swaps, foreign currency options and interest rate swaps to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Forward currency contracts are used to hedge the Group's current and future sales and purchases denominated in foreign currencies for which firm commitments existed at the reporting date.

During the year, the Group and the Company entered into long-term purchase contracts with suppliers in Japan. The purchase price in these contracts are fixed and set in USD. These contracts contain embedded foreign exchange derivatives which have been separated and carried at fair value through profit or loss.

14. DERIVATIVES (CONT'D.)

(a) Forward Exchange Contracts

	2010 RM'000	2009 RM'000
Notional amounts		
Japanese Yen	**42,314**	34,725
United States Dollar	**708,909**	332,216
Euro	**25,130**	595
Swedish Krone	**6,526**	3,639
Singapore Dollar	**644**	-
Thai Baht	**2,877**	1,641

All the forward exchange contracts mature within one year.

(b) Interest Rate Swaps and Cross Currency Swaps

(i) An interest rate swap with a notional principal of USD47 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) An interest rate swap with a notional principal of USD10 million that fixed the obligation of a jointly-controlled entity in India to pay interest at a fixed rate of 10.41% 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 4 November 2013.

(iv) A cross currency cum interest rate swap that entitles a jointly-controlled entity in India to convert JPY3,253.8 million to INR1,335.3 million and fixed the entity's obligation to pay interest at a fixed rate of 9.35% per annum. The swap will mature on 31 March 2020.

(v) A cross currency cum interest rate 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 swap will mature on 15 September 2014.

(vi) An interest rate swap with a notional principal of USD143.3 million that fixed the obligation of the Company to pay interest at a fixed rate of 3.96% per annum. The interest rate swap will mature on 14 September 2014.

(vii) An interest rate swap with a notional principal of USD14.9 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.

14. DERIVATIVES (CONT'D.)

(b) Interest Rate Swap and Cross Currency Swap (Cont'd.)

(viii) 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.

(ix) An interest rate swap with a notional principal of USD2 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 9.45% 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 15 June 2015.

(x) 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.

(xi) An interest rate swap with a notional principal of USD4 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 5.15% 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.

(xii) An interest rate swap with a notional principal of USD2.26 million that fixed the obligation of a subsidiary in India to pay interest at a fixed rate of 9.55% 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 4 August 2015.

(xiii) A cross currency cum interest rate swap that entitles the Company to convert RM110 million to USD35.6 million and swaps the Company's obligation to pay interest at a fixed rate of 4.03% per annum to a USD floating rate. The cross currency swap will mature on 8 October 2015.

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.

During the financial year, the Group and the Company recognised a net gain of RM55,002,000 (2009: Nil) and RM54,658,000 (2009: Nil), respectively, arising from fair value changes of derivative assets/liabilities. The fair value changes are attributable to changes in yield curve and interest spot rate and foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 44.

15. INVENTORIES

	Group 2010 RM'000	Group 2009 RM'000
At cost:		
Equipment, unassembled and completed vehicles, attachments and spares	**1,174,943**	1,127,476
Other finished goods	**90,575**	97,001
Work-in-progress	**28,776**	26,493
Raw materials and consumables	**90,914**	45,617
	1,385,208	1,296,587
At net realisable value:		
Equipment, unassembled and completed vehicles, attachments and spares	**9,369**	6,013
Other finished goods	**994**	604
Raw materials and consumables	**564**	369
	10,927	6,986
	1,396,135	1,303,573

During the financial year, there was a reversal of a write down of inventories of RM1.48 million (2009: RM5.75 million). The reversal arose from an increase in net realisable value as a result of improving prices of inventories during the financial year.

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM9.80 billion (2009: RM8.32 billion).

Inventories of RM275.1 million (2009: RM273.1 million) have been pledged to banks for facilities granted to overseas subsidiaries and a jointly-controlled entity.

16. RECEIVABLES

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Current:				
Trade receivables (Note a)	**814,153**	641,881	**-**	-
Other receivables (Note b)	**295,015**	255,390	**983**	954
	1,109,168	897,271	**983**	954
Non-current:				
Due from subsidiaries (Note c)	**-**	-	**700,047**	1,066,350
Total trade and other receivables (current and non-current)	**1,109,168**	897,271	**701,030**	1,067,304
Less: Included within other receivables:				
Accrued income (Note b)	**(12,895)**	(9,556)	**(124)**	-
Tax recoverable (Note b)	**(3,458)**	(4,222)	**(600)**	(637)
Prepayments (Note b)	**(91,665)**	(47,364)	**(254)**	(312)
Add: Cash and bank balances (Note 17)	**2,195,051**	1,733,290	**237,662**	5,415
Total loans and receivables	**3,196,201**	2,569,419	**937,714**	1,071,770

16. RECEIVABLES (CONT'D.)

(a) Trade Receivables

	Group 2010 RM'000	Group 2009 RM'000
Trade receivables	**785,481**	616,165
Less: Allowance for impairment	**(35,793)**	(32,689)
	749,688	583,476
Due from associates	**29,345**	45,553
Due from a corporate shareholder of a subsidiary	**35,120**	12,852
	814,153	641,881

The Group's normal trade credit terms range from 1 day to 120 days (2009: 1 day to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

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 days to 60 days (2009: 30 days to 60 days).

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

	2010 RM'000
(i) Age analysis of trade receivables	
(a) Not due and not impaired	**543,786**
(b) Overdue but not impaired:	
1 - 30 days overdue but not impaired	**107,941**
31 - 60 days overdue but not impaired	**46,261**
61 - 90 days overdue but not impaired	**59,657**
91 - 120 days overdue but not impaired	**21,947**
121 - 150 days overdue but not impaired	**4,807**
151 - 180 days overdue but not impaired	**9,281**
More than 180 days overdue but not impaired	**14,461**
	264,355
(c) Impaired	**41,805**
Total trade receivables	**849,946**

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

16. RECEIVABLES (CONT'D.)

(a) Trade Receivables (Cont'd.)

Collaterals and other credit enhancements are as follows:
- Trade receivables of RM2.6 million are secured by bank guarantee of RM1.1 million.
- Export sales of RM1.1 million have been arranged to be settled via letters of credit.

(ii) Receivables that are impaired

	Individually impaired 2010 RM'000	Collectively impaired 2010 RM'000	Total 2010 RM'000
Trade receivables	**34,631**	**7,174**	**41,805**
Less: Allowance for impairment	**(28,619)**	**(7,174)**	**(35,793)**
	6,012	**-**	**6,012**
Movement in allowance for impairment:			
At 1 January	**28,318**	**4,371**	**32,689**
Effect of adopting FRS 139	**(1,218)**	**586**	**(632)**
Charge for the year	**2,738**	**2,650**	**5,388**
Utilised	**(2,666)**	**(3)**	**(2,669)**
Exchange differences	**1,447**	**(430)**	**1,017**
At 31 December	**28,619**	**7,174**	**35,793**

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or bank guarantees.

(b) Other Receivables

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Accrued income	**12,895**	9,556	**124**	-
Tax recoverable	**3,458**	4,222	**600**	637
Deposits	**55,845**	101,333	**5**	5
Prepayments	**91,665**	47,364	**254**	312
Sundry receivables	**146,932**	116,143	**-**	-
	310,795	278,618	**983**	954
Allowance for impairment	**(15,780)**	(23,228)	**-**	-
	295,015	255,390	**983**	954

16. RECEIVABLES (CONT'D.)

(b) Other Receivables (Cont'd.)

	Individually impaired 2010 RM'000
Receivables that are impaired	
Other receivables	**17,729**
Less: Allowance for impairment	**(15,780)**
	1,949
Movement in allowance for impairment:	
At 1 January	**23,228**
Effect of adopting FRS 139	**-**
Charge for the year	**(7,538)**
Utilised	**(131)**
Exchange differences	**221**
At 31 December	**15,780**

(c) Due From Subsidiaries

The amounts due from subsidiaries are unsecured, bear interest ranging at 4.0% - 6.0% and are repayable within 5 years.

Receivables of the Group amounting to RM183,160,000 (2009: RM141,783,000) are pledged to banks for credit facilities granted to overseas subsidiaries in 2010 (Note 22).

17. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits with licensed banks	**1,752,373**	1,413,534	**123,771**	5,000
Cash and bank balances	**442,678**	319,756	**113,891**	415
	2,195,051	1,733,290	**237,662**	5,415

Deposits with licensed banks and bank balances of the Group amounting to RM466,000 (2009: RM1,361,000) are pledged to banks for credit facilities granted to overseas subsidiaries (Note 22).

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

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Deposits with licensed banks	**0.1 - 10.5**	0.1 - 9.0	**1.8**	2.2

17. DEPOSITS, CASH AND BANK BALANCE (CONT'D.)

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

	Average Maturity			
	Group		Company	
	2010 Days	2009 Days	2010 Days	2009 Days
Deposits with licensed banks	**3 - 365**	2 - 365	**25**	92

18. NON-CURRENT ASSETS HELD FOR SALE

This represents long term leasehold land with a carrying value of RM6,839,000 (2009: RM3,535,000). The lease will expire on 7 July 2109.

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

Date of SPA	Name of Buyer	Purchase Consideration RM'000	Status as at 31 December 2010
24 March 2008	Innosteel Sdn. Bhd.	7,956	Pending completion*
28 December 2009	TGM Realty Sdn. Bhd.	6,835	Pending completion*
5 August 2010	Heritage Logistics Sdn. Bhd.	7,135	Pending completion*

* *The Group has received approval for sub-division of the land from the relevant Authorities in the current financial year. The Group is currently in the process of issuing title documents and the Sale and Purchase will be completed.*

19. SHARE CAPITAL

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
(a) Authorised:				
At 1 January/31 December	**2,000,000**	2,000,000	**1,000,000**	1,000,000
(b) Issued and fully paid:				
At 1 January	**1,119,316**	1,092,143	**559,658**	546,072
Issued under the ESOS	**34,058**	27,173	**17,029**	13,586
At 31 December	**1,153,374**	1,119,316	**576,687**	559,658

19. SHARE CAPITAL (CONT'D.)

(c) 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:

(i) Eligible persons are employees of the Group who have been confirmed in the employment of the Group including full-time salaried executive directors. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.

(ii) The total number of shares to be offered shall not exceed in aggregate 15% of the issued and paid-up ordinary share capital of the Company at the point of offer during the duration of the ESOS, which shall be in force for a period of five years from 18 April 2006. The ESOS has expired 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.

19. SHARE CAPITAL (CONT'D.)

(c) 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 at 1 January '000	Movements During the Year: Exercised '000	Forfeited '000	Lapsed '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2010						
Exercise Price						
RM						
Options granted in 2006						
3.335	**1,672**	**1,027**	**8**	**-**	**637**	**637**
3.330	**3,216**	**2,256**	**49**	**7**	**904**	**904**
3.325	**289**	**189**	**-**	**4**	**96**	**96**
	5,177	**3,472**	**57**	**11**	**1,637**	**1,637**
WAEP	**3.331**	**3.331**	**3.331**	**3.328**	**3.332**	**3.332**
Options granted in 2008						
5.160	**17,583**	**12,026**	**92**	**36**	**5,429**	**5,429**
4.930	**26,677**	**19,449**	**63**	**18**	**7,147**	**7,147**
	44,260	**31,475**	**155**	**54**	**12,576**	**12,576**
WAEP	**5.021**	**5.018**	**5.067**	**5.083**	**5.029**	**5.029**
2009						
Exercise Price						
RM						
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
	14,167	8,853	29	108	5,177	5,177
WAEP	3.331	3.331	3.335	3.330	3.331	3.331
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
	63,306	18,111	741	194	44,260	44,260
WAEP	5.017	5.008	4.997	4.955	5.021	5.021

19. SHARE CAPITAL (CONT'D.)

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

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

	WAEP RM	Exercise Period
2010		
Options granted in 2006	3.332	7 June 2006 - 17 April 2011
Options granted in 2008	5.029	21 October 2008 - 17 April 2011

(ii) Share options exercised during the year

As disclosed in Note 19(b), options exercised during the financial year resulted in the allotment and issuance of 34,057,400 (2009: 27,173,300) ordinary shares of RM0.50 each at an average price of RM4.850 (2009: RM4.457) per share of RM0.50 each. The related weighted average share price at the date of exercise was RM6.60 (2009: RM5.91).

(iii) Fair value of share options granted

The fair values of share options granted by the Company to the employees of the Group were estimated by using the trinomial option valuation model and take into account the terms and conditions upon which the options were granted. The fair values of share options measured at grant dates and the assumptions are as follows:

	Options Granted in 2006		
Grant date	**07.06.06**	**10.08.06**	**18.09.06**
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

	Options Granted in 2008	
Grant date	**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.

20. CAPITAL RESERVE

Capital reserve relates primarily to surplus on revaluation of properties conducted between 1979 and 1985, as disclosed in Note 4(b).

21. PROVISION FOR LIABILITIES

	Retirement Benefits RM'000	Warranties RM'000	Total RM'000
Group			
At 1 January 2009	1,577	109,038	110,615
(Credited)/charged to profit or loss	(2,124)	41,012	38,888
Utilised during the year	(978)	(21,553)	(22,531)
Exchange differences	5	27	32
Reclassified to other receivables	2,667	-	2,667
At 31 December 2009	**1,147**	**128,524**	**129,671**
Charged to profit or loss	**3,456**	**37,206**	**40,662**
Utilised during the year	**(3,697)**	**(19,567)**	**(23,264)**
Exchange differences	**(8)**	**(751)**	**(759)**
At 31 December 2010	**898**	**145,412**	**146,310**
At 31 December 2010			
Current	**102**	**80,716**	**80,818**
Non-current:			
Later than 1 year but not later than 2 years	**350**	**30,715**	**31,065**
Later than 2 years but not later than 5 years	**266**	**33,981**	**34,247**
Later than 5 years	**180**	**-**	**180**
	796	**64,696**	**65,492**
	898	**145,412**	**146,310**
At 31 December 2009			
Current	131	64,052	64,183
Non-current:			
Later than 1 year but not later than 2 years	447	45,130	45,577
Later than 2 years but not later than 5 years	339	19,342	19,681
Later than 5 years	230	-	230
	1,016	64,472	65,488
	1,147	128,524	129,671

21. PROVISION FOR LIABILITIES (CONT'D.)

(a) Retirement Benefit Obligations

The Group operates funded, defined benefit plans ("the Plans") for its eligible employees. Contributions to the Plans are separately administered from the Group's 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 statement of financial position are determined as follows:

	Group	
	2010 RM'000	2009 RM'000
Present value of funded defined contribution obligations	**23,654**	20,829
Fair value of plan assets	**(22,637)**	(22,250)
Present value of unfunded defined contribution obligations	**1,017**	(1,421)
Unrecognised actuarial gain	**(119)**	(99)
Reclassified to other receivables	**-**	2,667
Obligations representing net liability	**898**	1,147

The amounts recognised as operating expenses in the statement of comprehensive income are as follows:

	Group	
	2010 RM'000	2009 RM'000
Current service cost	**3,437**	2,693
Interest cost	**1,184**	1,030
Expected return on plan assets	**(1,016)**	(1,002)
Net actuarial gain recognised during the year	**(149)**	(4,845)
Total (included in staff costs) (Note 28)	**3,456**	(2,124)

The actual return on the plan assets of the Group was RM1,092,337 (2009: RM787,655).

Principal actuarial assumptions used:

	2010 %	2009 %
Discount rate	**6.1**	6.1
Expected return on plan assets	**4.8**	4.8
Expected rate of salary increases	**4.0 - 12.0**	4.0 - 12.0

(b) Warranties

The Group gives 1 year to 5 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 5 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 3 years from the reporting 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.

22. LONG TERM BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Secured				
Term loan	**325,059**	299,226	**-**	-
Less: Amount payable within one year (Note 24)	**(2,850)**	(2,815)	**-**	-
	322,209	296,411	**-**	-
Unsecured				
Term loan	**1,757,875**	1,574,853	**609,532**	499,546
Less: Amount payable within one year (Note 24)	**(222,874)**	(22,806)	**-**	-
	1,535,001	1,552,047	**609,532**	499,546
Finance lease payable (Note 23)	**989**	2,140	**-**	-
	1,535,990	1,554,187	**609,532**	499,546
Total long term borrowings	**1,858,199**	1,850,598	**609,532**	499,546

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

	RWAEIR* %	Within 1 Year RM'000	1-2 Years RM'000	2-5 Years RM'000	More than 5 years RM'000	Total RM'000
Group						
31 December 2010						
Secured						
- Floating rate	**6.8 - 7.7**	**2,545**	**23,951**	**296,643**	**-**	**323,139**
- Fixed rate	**4.5 - 5.4**	**305**	**240**	**898**	**477**	**1,920**
		2,850	**24,191**	**297,541**	**477**	**325,059**
Unsecured						
- Floating rate	**0.1 - 3.8**	**222,874**	**508,415**	**410,439**	**1,767**	**1,143,495**
- Fixed rate	**3.0 - 7.4**	**-**	**99**	**610,361**	**3,920**	**614,380**
		222,874	**508,514**	**1,020,800**	**5,687**	**1,757,875**
		225,724	**532,705**	**1,318,341**	**6,164**	**2,082,934**
31 December 2009						
Secured						
- Floating rate	2.4 - 11.0	2,815	19,854	91,011	185,546	299,226
Unsecured						
- 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
		22,806	301,916	1,240,324	9,807	1,574,853
		25,621	321,770	1,331,335	195,353	1,874,079

22. LONG TERM BORROWINGS (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
Company						
31 December 2010						
Unsecured						
- Fixed rate	**4.03 - 4.55**	**-**	**-**	**609,532**	**-**	**609,532**
31 December 2009						
Unsecured						
- Fixed rate	4.55	-	-	499,546	-	499,546

** Range of Weighted Average Effective Interest Rate ("RWAEIR")*

The secured long term borrowings of the Group for the years 2010 and 2009 were secured by first legal charge, fixed and floating charge and negative pledge over assets of certain subsidiaries and corporate guarantee of the Group and directors' personal guarantee of a subsidiary.

23. FINANCE LEASE PAYABLES

	Group	
	2010 RM'000	2009 RM'000
Minimum lease payments:		
Not later than 1 year	**545**	952
Later than 1 year and not later than 2 years	**398**	505
Later than 2 years and not later than 5 years	**715**	746
Later than 5 years	**81**	1,123
	1,739	3,326
Less: Future finance charges	**(281)**	(335)
Present value of finance lease liability	**1,458**	2,991
Present value of finance lease liability:		
Not later than 1 year	**469**	851
Later than 1 year and not later than 2 years	**325**	450
Later than 2 years and not later than 5 years	**598**	642
Later than 5 years	**66**	1,048
	1,458	2,991
Analysed as:		
Due within 12 months (Note 24)	**469**	851
Due after 12 months (Note 22)	**989**	2,140
	1,458	2,991

The interest rate at the reporting date for the lease liabilities ranges from 2.26% to 12.35% (2009: 2.26% to 16.88%).

24. SHORT TERM BORROWINGS

	Group	
	2010	**2009**
	RM'000	**RM'000**
Secured		
Short term loan	**75,278**	4,263
Bankers' acceptances and revolving credits	**6,011**	10,195
Finance lease payables (Note 23)	**469**	175
Bank overdrafts	**16,933**	27,417
Long term loans payable within one year (Note 22)	**2,850**	2,815
	101,541	44,865
Unsecured		
Short term loan	**147,481**	24,702
Finance lease payables (Note 23)	**-**	676
Bank overdrafts	**47,357**	6,853
Trust receipts	**-**	18,320
Bankers' acceptances and revolving credits	**305,983**	175,922
Long term loans payable within one year (Note 22)	**222,874**	22,806
	723,695	249,279
Total short term borrowings	**825,236**	294,144

The secured short term borrowings of the Group for the years 2010 and 2009 were secured by first legal charge, fixed and floating charge, negative pledge over assets of certain subsidiaries, corporate guarantee of the Group, directors' personal guarantee of a subsidiary and lien on fixed deposits.

The range of weighted average effective interest rates at the reporting date for borrowings, excluding finance lease payables, were as follows:

	Group	
	2010	**2009**
	%	**%**
Short term loan	**0.9 - 7.7**	3.0 - 4.1
Bank overdrafts	**4.0 - 14.0**	2.6 - 7.0
Trust receipts	**-**	3.8
Bankers' acceptances	**2.8 - 5.3**	2.4 - 3.0
Revolving credits	**1.0 - 5.9**	1.7 - 3.6
Long term loans	**0.1 - 7.4**	0.6 - 11.0

25. PAYABLES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**571,289**	496,401	**-**	-
Bill payables	**11,463**	15,721	**-**	-
Sales tax accruals	**60,859**	67,002	**-**	-
Customer deposits	**97,224**	68,804	**-**	-
Related parties	**270,843**	265,197	**-**	-
Accruals	**412,341**	348,975	**7,117**	5,423
Provision for unutilised leave	**10,121**	13,194	**-**	-
Financial guarantees	**5,104**	-	**1,503**	-
Sundry payables	**171,053**	206,178	**4,746**	419
	1,610,297	1,481,472	**13,366**	5,842
Total trade and other payables	**1,610,297**	1,481,472	**13,366**	5,842
Add: Long term borrowings (Note 22)	**1,858,199**	1,850,598	**609,532**	499,546
Short term borrowings (Note 24)	**825,236**	294,144	**-**	-
Less: Finance lease payables (Note 23)	**(1,458)**	(2,991)	**-**	-
Total financial liabilities carried at amortised costs	**4,292,274**	3,623,223	**622,898**	505,388

The related parties balances comprise of amounts due to Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan, being corporate shareholders of a subsidiary and/or its subsidiaries and associated companies for purchase of inventories.

Included in sundry payables is an amount of RM37,018,000 (2009: RM47,367,000) being purchase considerations retained in respect of the acquisitions of equity interest in subsidiaries, which was payable upon satisfaction of certain conditions.

Trade payables are non-interest bearing and are normally settled from 7 days to 90 days (2009: 7 days to 90 days) terms.

Other payables are non-interest bearing and are normally settled within 30 days to 365 days (2009: 30 days to 365 days) terms.

Financial guarantees relate to corporate guarantee and financial indemnity provided by the Group and the Company in respect of facilities taken by a jointly-controlled entity, a subsidiary and associated companies.

26. REVENUE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross dividend income from subsidiaries	**-**	-	**373,258**	250,429
Sales of goods and services	**12,817,991**	10,718,232	**-**	-
Rental income from investment properties	**2,238**	2,629	**-**	-
	12,820,229	10,720,861	**373,258**	250,429

27. OTHER OPERATING INCOME

Included in other operating income are:

	2010	**2009**
	RM'000	**RM'000**
Group		
Net fair value gain on trading investment		
- investment in cash funds	**390**	-
Net fair value gain on derivatives	**55,002**	-
Gain on disposal of property, plant and equipment, investment properties, land use rights and leased assets	**15,928**	12,658
Gain on disposal of investments	**285**	6
Excess of Group's share in net fair value of the acquired subsidiaries' identifiable assets/liabilities and contingent liabilities over the cost of business combination	**7,604**	-
Net foreign exchange gains		
- realised	**27,130**	14,152
- unrealised	**12,071**	-
Bad debts recovered	**279**	183
Rental income from operating leases	**2,180**	1,556
Commission	**57,189**	53,955
Company		
Net fair value gain on derivatives	**54,658**	-

28. EMPLOYEE BENEFITS

	Group 2010 RM'000	Group 2009 RM'000
(a) Staff costs		
Wages and salaries	**573,160**	557,525
Social security costs	**4,519**	4,658
Provision for unutilised leave	**(1,035)**	4,325
Pension costs - defined contribution plan	**61,431**	58,629
Pension costs - defined benefit plans (Note 21(a))	**3,456**	(2,124)
Other staff related expenses	**58,694**	22,124
	700,225	645,137
(b) Directors' remuneration is as follows:		
Salaries and other emoluments		
- the Company*	**3,028**	1,830
- subsidiaries	**21,192**	21,737
Pension costs - defined contribution plan		
- the Company*	**286**	260
- subsidiaries	**2,254**	2,293
Benefits-in-kind		
- the Company*	**509**	237
- subsidiaries	**2,921**	2,809

* The details of the salaries and other emoluments of directors of the Company are as follows:

	Salaries and other emoluments 2010 RM'000	Salaries and other emoluments 2009 RM'000	Benefits-in-kind 2010 RM'000	Benefits-in-kind 2009 RM'000
Group				
Executive Director				
Datuk Syed Hisham bin Syed Wazir	**337**	-	**15**	-
Dato' Abdul Halim bin Harun	**2,977**	2,090	**362**	116

29. OTHER OPERATING EXPENSES

Included in the other operating expenses are:

	2010 RM'000	2009 RM'000
Group		
Non-executive directors' fees#		
- the Company's current year provision	**709**	676
- subsidiaries' current year provision	**39**	41
Rental of land and buildings	**25,346**	28,669
Lease rental and hire charges	**42,008**	17,176
Legal fees	**2,659**	2,313
Research and development	**509**	140
Auditors' remuneration:		
Statutory audit		
- Auditors' of the Company	**1,506**	1,344
- Other auditors	**1,829**	1,633
Other services		
- Auditors' of the Company	**481**	519
Bad debts written off	**2,800**	1,013
Goodwill written off/impaired	**23,185**	4,745
Net inventories written down	**10,048**	821
Royalty	**4,224**	3,860
Property, plant and equipment, investment properties and leased assets written off	**1,160**	3,180
Impairment/(reversal of impairment) losses of:		
- receivables	**(4,950)**	9,102
- leased assets	**536**	513
- other investments	**(3,066)**	(30,477)
- property, plant and equipment	**16,936**	1,969
- investments in associates	**53,204**	-
Amortisation of product development expenditure	**158**	1,575
Loss on disposal of property, plant and equipment, investment properties, land use rights and leased assets	**2,406**	2,045
Net unrealised foreign exchange losses	**-**	3,607
Provision for warranties, net of reversals	**37,206**	41,012
Fair value loss on financial assets designated as fair value through profit or loss	**1,761**	-
Company		
Non-executive directors' fees#		
- the Company's current year provision	**709**	676
Auditors' remuneration:		
Statutory audit		
- Auditors of the Company	**169**	120
Impairment loss of an investment in a subsidiary	**-**	20,000
Net unrealised foreign exchange losses	**64,779**	-

29. 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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Directors' fees:				
Tan Sri Asmat bin Kamaludin	**178**	162	**171**	157
Tan Sri Datuk Mohamed Khatib bin Abdul Hamid	**47**	86	**45**	79
Tan Sri Dato' Mohamed Noordin bin Hassan	**56**	96	**50**	86
Dato' Ir. Lee Yee Cheong	**-**	49	**-**	43
Dato' Haji Darwis bin Mohd. Daid	**-**	28	**-**	26
Dr. Leong Chik Weng	**130**	101	**117**	90
Dato' Dr. Nik Norzrul Thani bin N.Hassan Thani	**87**	75	**85**	75
Dato' Mohd. Nizam bin Zainordin	**114**	83	**105**	83
Dato' Siow Kim Lun @ Siow Kim Lin	**106**	37	**106**	37
Khalid bin Sufat	**30**	-	**30**	-

	Group	
	2010	2009
	RM'000	RM'000
Benefits-in-kind:		
Non-Executive director		
Tan Sri Asmat bin Kamaludin	**132**	121

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Group		Company	
	2010	2009	2010	2009
Executive director:				
RM300,001 - RM400,000	**1**	-	**-**	-
RM2,000,001 - RM3,500,000	**1**	1	**-**	-
Non-executive directors:				
Up to RM50,000	**2**	3	**3**	3
RM50,001 - RM100,000	**2**	4	**1**	5
RM100,001 - RM150,000	**3**	1	**3**	-
RM150,001 - RM200,000	**1**	1	**1**	1

30. FINANCE COSTS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest expense				
- Bank borrowings	**75,394**	61,061	**16,412**	4,355
- Others	**3,609**	1,021	**-**	-
	79,003	62,082	**16,412**	4,355
Less: Interest expense capitalised				
- Assets-in-progress	**(17,896)**	(27,283)	**-**	-
Net interest expense	**61,107**	34,799	**16,412**	4,355

31. INVESTMENT INCOME

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Investment income comprises:				
Gross dividend income from:				
- Available-for-sale financial assets				
- Unquoted investments	**1,308**	51	**-**	-
- Designated as fair value through profit or loss				
- Quoted investments outside Malaysia	**922**	730	**-**	-
Interest income from:				
- Loans and receivables				
- Subsidiaries	**-**	-	**22,116**	1,990
- Others	**43,941**	29,913	**1,574**	339
Distribution income from:				
- Quoted investments	**4,678**	2,070	**-**	-
	50,849	32,764	**23,690**	2,329

32. INCOME TAX EXPENSE

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax:				
Malaysian taxes	**341,385**	187,722	**(26)**	26
Overseas taxes	**16,899**	12,402	**530**	-
	358,284	200,124	**504**	26
Over provision in prior year:				
Malaysian taxes	**(6,737)**	(1,229)	**(3)**	(11)
Overseas taxes	**(938)**	-	**-**	-
	(7,675)	(1,229)	**(3)**	(11)
	350,609	198,895	**501**	15
Deferred taxation (Note 12):				
Relating to origination and reversal of temporary differences	**(9,727)**	2,409	**-**	-
Relating to changes in tax rates	**(453)**	(320)	**-**	-
Over provision in prior years	**(31)**	(1,692)	**-**	-
	(10,211)	397	**-**	-
	340,398	199,292	**501**	15

Domestic current income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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:

	2010	**2009**
	RM'000	**RM'000**
Group		
Profit before taxation	**1,313,219**	846,504
Taxation at Malaysian statutory rate of 25% (2009: 25%)	**328,305**	211,626
Effect of different tax rates in other countries	**5,251**	349
Tax incentives	**(859)**	(221)
Effect of changes in tax rates on deferred tax opening balance	**-**	(320)
Income not subject to tax	**(23,522)**	(12,208)
Expenses not deductible for tax purposes	**45,680**	4,609
Tax losses not available for offsetting against future taxable profits	**-**	3,718
Utilisation of previously unrecognised reinvestment allowances	**(14,514)**	(8,852)
Utilisation of previously unrecognised tax losses	**(2,133)**	(79)
Utilisation of previously unrecognised capital allowances	**(463)**	(317)
Deferred tax assets recognised	**(4,774)**	(520)
Deferred tax assets not recognised	**47,196**	20,888
Over provision of deferred tax in prior years	**(31)**	(1,692)
Over provision of income tax expense in prior years	**(7,675)**	(1,229)
Effect of share of results of associates	**(32,063)**	(16,460)
Tax expense for the year	**340,398**	199,292

32. INCOME TAX EXPENSE (CONT'D.)

	2010 RM'000	2009 RM'000
Group (Cont'd.)		
Tax savings recognised during the year arising from:		
Utilisation of current year tax losses	**1,260**	321
Utilisation of tax losses brought forward from previous years	**2,602**	806
Company		
Profit before taxation	**368,044**	225,249
Taxation at Malaysian statutory rate of 25% (2009: 25%)	**92,011**	56,312
Income not subject to tax	**(107,104)**	(62,607)
Expenses not deductible for tax purposes	**17,179**	6,321
Utilisation of group relief	**(1,582)**	-
Over provision of income tax expense in prior years	**(3)**	(11)
Tax expense for the year	**501**	15

During the previous 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 profits as at 31 December 2010 under the single-tier system.

33. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Group 2010	Group 2009
Net profit attributable to equity holders (RM'000)	**526,903**	382,395
Weighted average number of ordinary shares of RM0.50 in issue ('000)	**1,138,483**	1,104,014
Basic earnings per share of RM0.50 (sen)	**46.3**	34.6

(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 19(c).

33. EARNINGS PER SHARE (CONT'D.)

(b) Diluted (Cont'd.)

	Group 2010	Group 2009
Net profit attributable to equity holders (RM'000)	**526,903**	382,395
Weighted average number of ordinary shares of RM0.50 in issue ('000)	**1,138,483**	1,104,014
Adjusted for:		
Assumed shares issued from the exercise of options at no consideration ('000)	**3,803**	8,914
	1,142,286	1,112,928
Diluted earnings per share (sen)	**46.1**	34.4

The fair value of the shares in respect of the assumed exercise of options of RM6.60 (2009: RM5.91) for the year 2010 was determined based on the average weighted market value of the shares traded during the year. The difference between the number of shares issued via the exercise of options and the number of shares that would have been issued at RM6.60 (2009: RM5.91) was assumed as issue of shares at no consideration.

34. DIVIDENDS

	Amount 2010 RM'000	Amount 2009 RM'000	Net Dividend Per Share of RM0.50 each 2010 Sen	Net Dividend Per Share of RM0.50 each 2009 Sen
Recognised during the financial year:				
In respect of the financial year ended 31 December 2008				
- Final dividend of 6.5% less taxation and single-tier dividend of 17.5%	**-**	123,484	**-**	11.2
In respect of the financial year ended 31 December 2009				
- First interim single-tier dividend of 12%	**-**	66,642	**-**	6.0
- Second interim single-tier dividend of 10%	**-**	56,204	**-**	5.0
- Final single-tier dividend of 18%	**102,610**	-	**9.0**	-
In respect of the financial year ended 31 December 2010				
- First interim single-tier dividend of 20%	**114,772**	-	**10.0**	-
	217,382	246,330	**19.0**	22.2
Payable:				
In respect of the financial year ended 31 December 2010				
- Second interim single-tier dividend of 27%	**156,647**	-	**13.5**	-
	374,029	246,330	**32.5**	22.2

34. 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 13.0% or 6.5 sen per share of RM0.50 each, amounting to a net dividend payable of approximately RM75.9 million (2009: a single-tier dividend of 18% or 9.0 sen per share of RM0.50 each, amounting to RM102.6 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 financial year ending 31 December 2011.

35. COMMITMENTS

(a) Capital Commitments

	Group	
	2010 RM'000	2009 RM'000
Approved and contracted for:		
- land and buildings	**134,819**	78,893
- equipment, plant and machinery	**284,754**	289,398
- others	**5,308**	2,812
	424,881	371,103
Approved but not contracted for:		
- land and buildings	**77,419**	79,182
- equipment, plant and machinery	**455,484**	369,981
- others	**3,642**	89,487
	536,545	538,650
Total capital commitments	**961,426**	909,753

(b) Commitments Under Non-Cancellable Operating Leases

	2010 RM'000	2009 RM'000
Amount payable within 1 year	**7,537**	2,514
Amount payable later than 1 year but not more than 2 years	**7,472**	2,511
Amount payable later than 2 years but not more than 5 years	**11,412**	6,334
Amount payable after 5 years	**50,059**	41,035

36. CONTINGENT LIABILITIES

As at the reporting date, the Group has the following contingent liabilities for which no liability is expected to arise:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Unsecured				
Bank guarantee issued to third parties	**62,381**	19,928	**-**	-
Performance guarantee issued to third parties	**56,705**	180,670	**56,705**	180,670
Letter of credits issued to third parties	**11,542**	21,171	**-**	-
Corporate guarantee issued to financial institutions in respect of banking facilities of a jointly-controlled entity	**145,255**	61,680	**55,143**	61,680
Financial indemnity on trade credit facilities granted to associates	**200,801**	-	**-**	-
	476,684	283,449	**111,848**	242,350

37. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

(i) The automotive segment is principally engaged in the import, assembly and marketing of passenger and commercial vehicles and related spares.

(ii) The equipment segment is involved in the trading of a wide range of light and heavy equipment including related spares for use in the industrial, construction and agricultural sectors.

(iii) The manufacturing and engineering segment is involved in the manufacturing, assembly and trading of automotive parts, the blending, packaging, marketing and distribution of lubricants and other established agency lines in the automotive field.

(iv) The oil and gas segment is engaged in the manufacturing and trading of oil pipes and the provision of various oil and gas services including drilling and pipe-coating.

(v) The other segment is involved in the provision of support services in insurance, travel, information technology, management and corporate services and various professional services.

Transfer prices between operating segments are at terms agreed between the parties.

37. SEGMENT REPORTING (CONT'D.)

(a) Business Segments

2010	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
REVENUE:								
External customers	9,935,795	1,570,766	640,914	633,346	39,408	-		12,820,229
Inter-segment	7,041	22,284	143	32,167	14,228	(75,863)	I	-
Total revenue	9,942,836	1,593,050	641,057	665,513	53,636	(75,863)		12,820,229
RESULTS:								
Depreciation and amortisation	(89,379)	(76,232)	(15,815)	(90,493)	(9,670)	-		(281,589)
Interest expense	-	(11,385)	(9,215)	(75,608)	(28,861)	63,962		(61,107)
Interest income	38,333	2,754	1,175	26,320	43,999	(63,962)		48,619
Dividend income	1,152	-	15,080	34,961	893,018	(941,981)		2,230
Share of results of associates	166,264	-	2,082	(63,726)	9,186	-		113,806
Other material non-cash items	(28,501)	797	(3,546)	(88,136)	56,240	-	II	(63,146)
Segment profit/(loss) before taxation	1,378,019	103,899	39,099	(180,428)	(27,370)	-		1,313,219
Income tax expense	(287,817)	(33,796)	(4,109)	(10,413)	(4,263)	-		(340,398)
Segment profit/(loss) after taxation	1,090,202	70,103	34,990	(190,841)	(31,633)	-		972,821

37. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2010 (Cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Note	Per Consolidated Financial Statements RM'000
ASSETS:							
Investment in associates	872,146	-	-	585,303	(4,390)		1,453,059
Additions to non-current assets	67,770	128,532	80,298	430,424	20,404	III	727,428
Segment assets	4,160,886	1,083,884	665,641	2,700,749	1,412,658		10,023,818
LIABILITIES:							
Segment liabilities	1,072,705	619,623	310,714	2,517,388	236,377		4,756,807

37. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2009

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Adjustments and Eliminations RM'000	Note	Per Consolidated Financial Statements RM'000
REVENUE:								
External customers	8,347,260	1,171,989	486,478	692,991	22,143	-		10,720,861
Inter-segment	4,105	19,030	23,473	18,016	13,632	(78,256)	I	-
Total revenue	8,351,365	1,191,019	509,951	711,007	35,775	(78,256)		10,720,861
RESULTS:								
Depreciation and amortisation	(96,457)	(75,977)	(10,526)	(44,308)	(8,295)	-		(235,563)
Interest expense	-	(7,259)	(1,510)	(42,847)	(15,539)	32,356		(34,799)
Interest income	26,421	1,531	556	15,600	20,231	(32,356)		31,983
Dividend income	-	-	-	108,142	623,234	(730,595)		781
Share of results of associates	86,146	-	601	2,061	(18,170)	-		70,638
Other material non-cash items	(25,461)	3,324	(5,997)	23,713	(3,036)	-	II	(7,457)
Segment profit/(loss) before taxation	738,247	83,543	23,066	37,696	(36,048)	-		846,504
Income tax expense	(150,208)	(22,959)	(7,834)	(17,179)	(1,112)	-		(199,292)
Segment profit/(loss) after taxation	588,039	60,584	15,232	20,517	(37,160)	-		647,212

37. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

2009 (Cont'd.)

	Automotive RM'000	Equipment RM'000	Manufacturing and Engineering RM'000	Oil and Gas RM'000	Others RM'000	Note	Per Consolidated Financial Statements RM'000
ASSETS:							
Investment in associates	762,051	-	11,827	660,312	19,486		1,453,676
Additions to non-current assets	82,663	79,703	41,464	496,011	13,241	III	713,082
Segment assets	3,760,269	952,594	558,663	3,129,256	424,914		8,825,696
LIABILITIES:							
Segment liabilities	1,018,470	391,012	232,920	2,139,258	124,268		3,905,928

37. SEGMENT REPORTING (CONT'D.)

(a) Business Segments (Cont'd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

I Inter-segment revenues are eliminated on consolidation.

II Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2010 RM'000	2009 RM'000
Net fair value gains on derivatives	27	**(55,002)**	-
Net gain on disposal of property, plant and equipment, investment properties, land use rights and leased assets	27, 29	**(13,522)**	(10,613)
Net inventories written down	29	**10,048**	821
Provision for warranties, net of reversals	29	**37,206**	41,012
Impairment/(reversal of impairment) losses of:			
- property, plant and equipment	29	**16,936**	1,969
- investment in associates	29	**53,204**	-
- other investments	29	**(3,066)**	(30,477)
Goodwill written off/impaired	29	**23,185**	4,745
Excess of Group's share in net fair value of the acquired subsidiaries' identifiable assets/liabilities and contingent liabilities over the cost of business combination	27	**(7,604)**	-
Fair value loss on financial assets designated as fair value through profit or loss	29	**1,761**	-
		63,146	7,457

III Additions to non-current assets consist of:

	2010 RM'000	2009 RM'000
Property, plant and equipment	**565,693**	548,261
Investment properties	**4,057**	4,482
Intangible assets	**47,535**	112,184
Land use rights	**139**	-
Leased assets	**110,004**	48,155
	727,428	713,082

37. SEGMENT REPORTING (CONT'D.)

(b) Geographical Segments

	Malaysia RM'000	Overseas RM'000	Consolidated RM'000
2010			
Revenue from external customers	**11,918,862**	**901,367**	**12,820,229**
Non-current assets	**1,344,753**	**2,053,297**	**3,398,050**
2009			
Revenue from external customers	9,880,149	840,712	10,720,861
Non-current assets	1,382,507	1,835,066	3,217,573

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Property, plant and equipment	**2,852,305**	2,714,904
Investment properties	**81,488**	82,744
Intangible assets	**258,489**	241,498
Land use rights	**4,931**	4,952
Leased assets	**193,998**	169,940
Non-current assets held for sale	**6,839**	3,535
	3,398,050	3,217,573

38. SUBSIDIARIES

(i) The following are the subsidiaries of the Company:

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia			
Subsidiaries of the Company:			
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.
Subsidiaries of: UMW Corporation Sdn. Bhd., UMW Petropipe (L) Ltd., UMW Australia Ventures (L) Ltd., UMW Malaysian Ventures Sdn. Bhd., UMW Oil & Gas Berhad			
UMW Oil & Gas Corporation Sdn. Bhd.	**100**	100	Investment holding.
UMW Industries (1985) Sdn. Bhd.	**100**	100	Distribution of industrial and material handling equipment and related spares.
UMW (East Malaysia) Sdn. Bhd.	**100**	100	Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak.
UMW (Sarawak) Sdn. Bhd.	**100**	100	Dormant.
UMW Equipment Sdn. Bhd.	**100**	100	Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Advantech Sdn. Bhd.	**100**	100	Assembly of heavy equipment, manufacture of transportation equipment as well as related components and attachments and rebuilding and repair of such equipment.
UMW Industrial Power Sdn. Bhd.	**100**	100	Distribution of industrial and power equipment and related parts.
UMW Offshore Investment (L) Ltd.	**100**	100	Investment holding.
UMW Linepipe (L) Ltd.	**66.12**	66.12	Investment holding.
UMW Drilling Co. Ltd.	**100**	100	Leasing of oil and gas assets including hydraulic workover units and semi-submersible drilling rigs.
UMW Oilfield International (L) Ltd.	**60**	60	Supply of oil and gas products and services and investment holding.
UMW Oilpipe Services (Turkmenistan) Ltd.	**51**	51	Provision of tubular inspection, repair and maintenance activities.
UMW China Ventures (L) Ltd.	**100**	100	Investment holding.
U-Insurance Sdn. Bhd.	**100**	100	Insurance agency services.
UMW Autocorp Sdn. Bhd.	**100**	100	Investment holding.
Kelang Pembena Kereta2 Sendirian Berhad	**100**	100	Dormant.
KPKK Realty Sdn. Bhd.	**100**	100	Investment in real properties.
UMW Equipment Rental Services Sdn. Bhd.	**100**	100	Dormant.
UMW Lubricant International Sdn. Bhd.	**100**	100	Investment holding and marketing, distribution and blending of lubricants.
U-TravelWide Sdn. Bhd.	**100**	100	Provision of travel agency services.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Aero Industries Sdn. Bhd.	**100**	100	Investment and holding of real property.
Tracpart Centre Sdn. Bhd.	**100**	100	Investment and holding of real property.
U E-Technologies Sdn. Bhd.	**100**	100	Provision of information technology services.
Otomobil Sejahtera Sdn. Bhd.	**100**	100	Importing CBU vehicles and acting as a dealer for UMW Toyota Motor Sdn. Bhd.
UMW Auto Parts Sdn. Bhd.	**100**	100	Investment holding.
UMW Vehicle Components Sdn. Bhd.	**100**	100	Dormant.
UMW Fabritech Sdn. Bhd.	**70**	70	Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipment and tubes.
UMW Oilfield International (M) Sdn. Bhd.	**100**	100	Supply of oil and gas products and services.
Lubetech Sdn. Bhd.	**100**	70	Blending and packaging of "Pennzoil" and other branded lubricants.
UMW Pennzoil Distributors Sdn. Bhd.	**100**	50	Marketing, selling and distribution of "Pennzoil" branded lubricants.
UMW Petrodril (Malaysia) Sdn. Bhd.	**99**	99	Provision of workover operations for the Oil and Gas Industry.
UMW JDC Drilling Sdn. Bhd.	**85**	85	Provision of drilling operations for the Oil and Gas Industry.
Inobel Sdn. Bhd.	**100**	100	Marketing and rendering of information technology services.
KYB-UMW Steering Malaysia Sdn. Bhd.	**52.1**	52.1	Manufacture and assembly of power steering pumps.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
KYB-UMW Malaysia Sdn. Bhd.	**52.1**	52.1	Manufacture and assembly of vehicle shock absorbers.
UMW-PNSB Development Sdn. Bhd.	**51**	51	Investment holding and property development.
UMW Technology Management Sdn. Bhd.	**51**	51	Investment and holding of real property.
UMW Management Systems Sdn. Bhd.	**51**	51	Investment and holding of real property.
UMW Properties Sdn. Bhd.	**51**	51	Investment and holding of real property.
UMW Bumi Hijau Sdn. Bhd.	**51**	51	Investment and holding of real property.
UMW Bumi Indah Sdn. Bhd.	**51**	51	Investment and holding of real property.
UMW Toyota Motor Sdn. Bhd.	**51**	51	Investment holding and importation and distribution of Toyota vehicles and related spares.
Assembly Services Sdn. Bhd.	**51**	51	Assembly of vehicles, manufacturing of engines and fitting of accessories.
Automotive Industries Sendirian Berhad	**51**	51	Manufacture of vehicle exhaust systems and kangaroo bars.
Seat Industries (Malaysia) Sdn. Bhd.	**51**	51	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 Australia Ventures Sdn. Bhd.	**100**	-	Investment holding.
UMW Oilpipe Services Sdn. Bhd.	**100**	100	Provision of threading and repair services for oil country tubular goods.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
UMW Naga Two (L) Ltd.	**100**	100	Investment holding.
UMW Naga Three (L) Ltd.	**100**	100	Investment holding.
UMW India Ventures (L) Ltd.	**75**	70	Investment holding.
UMW Sher (L) Ltd.	**45**	42	Provide contract drilling and engineering services for the Oil and Gas Industry and leasing of drilling rigs and vessels.
UMW Deepnautic Sdn. Bhd.	**87.14**	87.14	Provision of project management, design engineering and construction management.
UMW Standard Drilling Sdn. Bhd.	**100**	100	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.
Coldfusion Engineering Sdn. Bhd.	**60**	60	Provide complete turnkey solutions of Low Temperature Co-Fired Ceramic and Thick Film Technology products for the global electronic industry.
MK Autocomponents Limited	**51**	51	Investment holding.
MK Automotive Industries Limited	**55**	55	Investment holding.
UMW Pressure Control Sdn. Bhd.	**51**	51	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.	**60**	60	Total power solution provider.
SG Power Systems Sdn. Bhd.	**60**	60	General contractor, sales and services equipment.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiaries Incorporated in Malaysia (Cont'd.)			
SG Engineering & Services Sdn. Bhd.	**60**	60	Engineering works and general trading.
(b) Subsidiaries Incorporated in Singapore			
UMW Equipment & Engineering Pte. Ltd.	**100**	100	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares in Singapore.
UMW Equipment Systems Pte. Ltd.	**100**	100	Investment holding.
Vina Offshore Holdings Pte. Ltd.*	**70**	70	Investment holding.
PFP Singapore Pte. Ltd.*	**75**	75	Sale of piping materials.
UMW Deepnautic Pte. Ltd.*	**35.7**	35.7	Fabrication of oil and gas steel structures.
UMW Helmsion Engineering Pte. Ltd.*	**42**	42	Manufacture of industrial cranes and related products and services.
Offshore Construction Services Pte. Ltd.*	**60**	60	Shipbuilding, repairing, marine construction and offshore equipment.
UMW Standard 1 Pte. Ltd.	**100**	100	Ownership, construction and operation of drilling rigs and related activities.
UMW Standard 3 Pte. Ltd.	**100**	100	Ownership, construction and operation of drilling rigs and related activities.
UMW Singapore Ventures Pte. Ltd.*	**100**	100	Investment holding.
UMW Marine and Offshore Pte. Ltd.*	**100**	-	Provision of management services.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(c) Subsidiary Incorporated in Papua New Guinea			
UMW Niugini Limited*	**94.4**	94.4	Distribution of heavy equipment and related spares.
(d) Subsidiary Incorporated in Solomon Islands			
UMW Solomon Islands Limited*	**85**	85	Distribution of heavy equipment and related spares.
(e) Subsidiaries Incorporated in People's Republic of China			
UMW Oilfield Services (Tianjin) Co., Limited*	**100**	100	Provision of repair services for oil country tubular goods.
UMW Industrial Trading (Shanghai) Co., Ltd.*	**100**	100	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products.
UMW Industrial Equipment (Shanghai) Co., Ltd.*	**100**	100	Provision of after-sales and repair services for equipment.
Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.*	**100**	100	Rental and fleet management services mainly for products distributed by the UMW Group of China.
PFP (Shenzhen) Piping Materials Co., Ltd.*	**75**	75	Import and export of piping materials.
UMW Coating Technologies (Tianjin) Co., Ltd.*	**100**	100	Provision of oil and gas related equipment and pipe coating services.
(f) Subsidiary Incorporated in Thailand			
UOT (Thailand) Limited*	**58.8**	58.8	Provision of repair services for oil country tubular goods.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(g) Subsidiaries Incorporated in Republic of Vietnam			
Vietnam Offshore Fabrication & Engineering Co. Ltd.*	**70**	70	Fabrication of oil and gas steel structures, and provision of offshore maintenance, hook-up and commissioning services.
UMW Equipment Systems (Vietnam) Company Limited*	**100**	100	Provision of service for equipment installation, maintenance, repair, overhaul and lease of equipment in industrial, construction and traffic sectors.
(h) Subsidiaries Incorporated in Myanmar			
UMW Machinery Limited*#	**100**	100	Importation and distribution of industrial and heavy equipment and related parts.
UMW Engineering Services Limited*#	**100**	100	Provision of after-sales services for equipment and maintenance and repair of equipment.
(i) Subsidiary Incorporated in British Virgin Islands			
UMW ACE (BVI) Ltd.	**70**	70	Investment holding.
(j) Subsidiaries Incorporated in Australia			
PFP Holdings Pty. Ltd.	**100**	100	Investment holding.
PFP (Aust) Holdings Pty. Ltd.	**100**	100	Investment holding.
Australasia Piping Products Pty. Ltd. (formerly known as PFP (Int) Holdings Pty. Ltd.)	**100**	100	Dormant.
PFP (Aust) Pty. Ltd.	**100**	100	Stockist and sales of pipes and fittings to the Oil and Gas Industry.

38. SUBSIDIARIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(k) Subsidiaries Incorporated in India			
Multicoat Coating Technologies Private Limited*#	**51**	51	Manufacture, produce, process, formulate and undertake research and development of refractory coatings, ceramic coatings, functional coatings, high emissivity coatings, nano coatings, new generation coatings and all types of advanced ceramic, composite and polymeric coatings.
Sathya Auto Private Limited #	**51**	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 Private Limited #	**45**	42	Onshore drilling activities in India.
UMW Dongshin Motech Private Limited #	**33**	33	Original equipment manufacturer of stamped automotive upper body parts.
(l) Subsidiary Incorporated in Taiwan			
PFP Taiwan Co., Ltd.*	**75**	75	Wholesale of metal building materials and international trade.
(m) Subsidiary Incorporated in Bahrain			
UMW Middle East Ventures Holding W.L.L.*	**100**	100	Investment holding.
(n) Subsidiary Incorporated in Oman			
Arabian Drilling Services L.L.C.	**65**	-	Drilling of oil and natural gas wells and service activities incidental to extraction of petroleum and natural gas, excluding surveying.

* *Subsidiaries audited by firms of Chartered Accountants other than Ernst & Young.*

\# *The financial year end of the above subsidiaries is 31 March.*

38. SUBSIDIARIES (CONT'D.)

(ii) The following companies are under members' voluntary liquidation/deregistration:

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Subsidiary Incorporated in Brunei			
UMW Orient Sdn. Berhad	**100**	100	Distribution of industrial and heavy equipment and related spares in Brunei. The company has ceased operations.
(b) Subsidiary Incorporated in the Philippines			
UMW Industries (Philippines) Inc.	**100**	100	Importation and distribution of industrial and material handling equipment and related spares, and the provision of servicing and repair services for such equipment. The company has ceased operations.
(c) Subsidiary Incorporated in Thailand			
UMW Auto Parts (Thailand) Co., Ltd.*	**100**	100	Manufacture of natural fibre composite material for automotive interior trim production.

39. JOINTLY-CONTROLLED ENTITIES

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Jointly-Controlled Entity Incorporated in Singapore			
Tubulars International Pte. Ltd.*	**30**	30	Investment holding.
(b) Jointly-Controlled Entity Incorporated in Hong Kong			
Lubritech International Holdings Limited	**60**	60	Investment holding.

39. JOINTLY-CONTROLLED ENTITIES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(c) Jointly-Controlled Entity Incorporated in India			
United Seamless Tubulaar Private Limited #*	**32.2**	31	Manufacturing of seamless tubular green pipes.
(d) Jointly-Controlled Entities Incorporated in China			
Lubritech Limited	**60**	60	Produce and operate lubrication oil business and import and wholesale of lubrication oil and lubrication grease.
Sichuan Haihua Petroleum Steel Pipe Co. Ltd.*	**40**	-	Manufacturing of oil, gas, water and other liquid from transmission pipes, and provision of antisepsis coating services for steel pipes.

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.*

40. ASSOCIATES

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Associated Companies Incorporated in Malaysia			
Rail-Tech Industries Sdn. Bhd.	**50**	50	Manufacture, repair and service of rolling stock. The company has ceased operations.
Perusahaan Otomobil Kedua Sdn. Bhd.	**38**	38	Investment holding and provision of management and administrative services.

40. ASSOCIATES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(a) Associated Companies Incorporated in Malaysia (Cont'd.)			
Perodua Sales Sdn. Bhd.	**38**	38	Marketing and distribution of motor vehicles, related spare parts and other related activities.
Strategic Auto Sdn. Bhd.	**38**	38	Importers and distributors of motor vehicles and spare parts, provision of after-sales services and other related activities.
Perodua Stamping Sdn. Bhd.	**38**	38	Dormant.
UMW Toyotsu Motors Sdn. Bhd.	**30**	30	Sales and after-sales services of Toyota brand of motor vehicles, parts and other relevant products.
Toyota Capital Malaysia Sdn. Bhd.	**30**	30	Hire purchase financing, factoring and trade confirming.
Toyota Capital Acceptance Malaysia Sdn. Bhd.	**30**	30	Hire purchase financing, debt factoring and money lending.
Seabanc Kredit Sdn. Bhd.	**30**	30	Hire purchase financing, leasing and debt factoring.
Toyota Lease Malaysia Sdn. Bhd.	**30**	30	Provision of lease financing.
PFP (Malaysia) Sdn. Bhd.	**40**	40	Supply of materials to the marine process and petro-chemical industries.
Arcus Malaysia Sdn. Bhd.	**40**	40	Trading in stainless steel pipes, flanges and fittings.
Lada Motors Sendirian Berhad	**40**	40	Dormant.
(b) Associated Companies Incorporated in People's Republic of China			
Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd.*	**49**	49	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.

40. ASSOCIATES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(b) Associated Companies Incorporated in People's Republic of China (Cont'd.)			
Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd. *	**34.3**	34.3	Manufacturing and marketing of Longitudinal Submerged Arc Welded 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.*	**32.4**	32.4	Manufacture of spiral welded pipes for the Oil and Gas Industry.
Jiangsu Tube-Cote Shuguang Coating Co., Ltd.*	**28.13**	28.13	Provision of internal epoxy coating for OCTG and line pipes for the Oil and Gas Industry.
Wuxi Seamless Oil Pipe Co., Ltd.*	**22.3**	22.3	Design and manufacture of seamless OCTG and line pipes for the Oil and Gas Industry.
(c) Associated Company Incorporated in India			
Multicoat Surfaces Private Limited*	**22.5**	22.5	Undertake research in the field of new generation coatings and solutions.
(d) Associated Company Incorporated in Thailand			
Oil-Tex (Thailand) Company Limited*	**20**	20	Provision of logistic services for the Oil and Gas Industry.
(e) Associated Company Incorporated in British Virgin Islands			
First Space Holdings Limited*	**22.3**	22.3	Investment holding.

40. ASSOCIATES (CONT'D.)

Company	Group Effective Interest 2010 %	Group Effective Interest 2009 %	Principal Activities
(f) Associated Company Incorporated in the Cayman Islands			
WSP Holdings Limited*	**22.3**	22.3	Investment holding.
(g) Associated Company Incorporated in Brunei Darussalam			
Premium Tubular Services Sdn. Bhd.*	**50**	50	Under liquidation.

* *Audited by firms of Chartered Accountants other than Ernst & Young.*

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 the above associated companies is 31 December.

41. SIGNIFICANT EVENTS

(a) On 2 February 2010, UMW Oil & Gas Berhad, a wholly-owned subsidiary of the Company, 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 Company, 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 related 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. ("SHPS") in Guanghan county, Sichuan Province in the People's Republic of China, from the China authorities. SHPS was established in accordance with the Equity Joint Venture Contract entered into between UMW Singapore Ventures Pte. Ltd., a wholly-owned subsidiary of the Group, Sichuan Jinyang Antisepsis Engineering Co. Ltd. and Elite International Investment (HK) Limited on 22 October 2009.

(d) On 23 August 2010, UMW China Ventures (L) Ltd. ("UMWCV"), a wholly-owned subsidiary of UMW Petropipe (L) Ltd., which is in turn wholly-owned by UMW, has entered into agreements to subscribe 46,700 Preferred Shares of Hilong Holding Limited ("HL Cayman") at par value HK$0.10, representing 4.67% in the share capital of HL Cayman for a total consideration of RMB167.89 million (equivalent to approximately RM77.8 million).

41. SIGNIFICANT EVENTS (CONT'D.)

(e) On 29 September 2010, PT Isis Megah ("PTIM"), the joint operator and local Indonesian agent of UMW Standard Drillings Sdn. Bhd. ("UMWSD") had entered into a Contract Agreement with HESS (Indonesia-Pangkah) Limited for the provision of drilling services by Naga 2, a premium jack-up rig of the Group. On 22 November 2010, UMWSD entered into a Drilling Services Assistance Cooperation Agreement with PTIM and PT. Harmoni Drilling Services for the provision of drilling services by Naga 2. The total contract value is approximately USD183 million (equivalent to RM561 million), for an estimated period of 1,355 days.

(f) On 4 October 2010, UMW JDC Drilling Sdn. Bhd., an 85%-owned subsidiary in the Group, received a Letter of Amendment and Contract Extension from Petronas Carigali Sdn. Bhd. for a 5-year extension of the provision of a semi-submersible Drilling Rig "Naga 1" contract dated 21 June 2006. The contract value is approximately USD250 million (equivalent to RM766 million).

(g) On 16 November 2010, UMW Petrodril (Malaysia) Sdn. Bhd., a 99%-owned subsidiary in the Group, acquired 9,600 shares of par value THB100 each in UMW Petrodril Siam Co. Ltd., ("UMWPS") representing 48% of the total registered capital of UMWPS, from Encik Zulkifly bin Zakaria, for a total cash consideration of THB960,000 (equivalent to approximately RM97,800).

(h) On 29 November 2010, UMW Auto Parts Sdn. Bhd. ("UAP"), a wholly-owned subsidiary in the Group, entered into two separate Share Sale Agreements with Pennzoil-Quaker State Company, for the acquisitions of:

   (i) 324,000 ordinary shares of par value RM1.00 each, being the remaining 30% of the issued and paid-up share capital of Lubetech Sdn. Bhd. ("LSB") not already owned for a cash consideration of RM5,898,058; and

   (ii) 500,000 ordinary shares of par value RM1.00 each, being the remaining 50% of the issued and paid-up share capital of UMW Pennzoil Distributors Sdn. Bhd. ("UPD") not already owned for a cash consideration of RM9,101,942.

   Upon completion of the above acquisitions, both LSB and UPD became wholly-owned subsidiaries of UAP.

42. SUBSEQUENT EVENTS

(a) On 31 January 2011, the Company had announced that the 46,700 Preferred Shares in HL Cayman subscribed by UMWCV had been converted into 46,700 ordinary shares of par value HK$0.10 each.

(b) UMW Corporation Sdn. Bhd., a wholly-owned subsidiary of the Group, had on 14 February 2011 entered into a Sale and Purchase of Shares Agreement with Titanium Assets Holdings Sdn. Bhd. for the acquisition of 2,400,000 ordinary shares of RM1.00 each, representing 40% of the issued and paid-up capital of Coldfusion Engineering Sdn. Bhd. at a nominal value of RM1.00.

(c) On 17 March 2011, UMWSD, has received a Letter of Award from Petronas Carigali Sdn. Bhd. ("PCSB") for the provision of Jack-Up Drilling Rig "NAGA 3" for PCSB's domestic operations within the Malaysian waters. The contract is for a duration of one year (1) with two (2) one-year options for renewal with a contract value of approximately USD41.5 million (equivalent to RM127.4 million), for the first year.

43. SIGNIFICANT RELATED PARTY DISCLOSURES

Group

(a) Transactions by UMW Holdings Berhad and its subsidiaries with associates and corporate shareholders of subsidiaries are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
UMW Industries (1985) Sdn. Bhd.	Perodua Group*	Lease rental	**6,249**	6,299
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Perodua Group*	Sale of shock absorbers	**79,700**	66,503
U-TravelWide Sdn. Bhd.	Perodua Group*	Air tickets	**5,461**	5,374
UMW Toyota Motor Sdn. Bhd. and subsidiaries	Perodua Group*	Sale of goods and services	**248,623**	256,826
		Purchase of goods and services	**291,898**	452,451
UMW Industrial Power Sdn. Bhd.	Perodua Group*	Sale of goods and services	**11,291**	1,291
UMW Advantech Sdn. Bhd.	Perodua Group*	Sale of goods and services	**33,208**	24,805
UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co. Ltd. and its subsidiaries	Purchase of goods and services	**15,783**	13,775
		Bare boat charter	**25,176**	32,240
Lubetech Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd.	Sale of goods and services	**91,411**	72,094
		Purchase of services	**530**	-

* *Comprises Perusahaan Otomobil Kedua Sdn. Bhd., its subsidiaries and associates.*

43. 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:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
UMW Toyota Motor Sdn. Bhd. and its subsidiaries	Toyota Motor Corporation, Japan and its subsidiaries	Sale of goods and services	**1,058,837**	889,938
		Purchase of goods and services	**2,297,724**	3,501,154
	UMW Toyotsu Motors Sdn. Bhd.	Sale of goods	**156,753**	130,246

(c) Transactions by the Group with the corporate shareholders of KYB-UMW Malaysia Sdn. Bhd. are as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
KYB-UMW Malaysia Sdn. Bhd. and its subsidiary	Kayaba Industry Co. Ltd., Japan and its subsidiaries	Sale of goods and services	**22,725**	13,390
		Purchase of goods and services	**9,864**	5,181
	Toyota Tsusho Corporation, Japan and its affiliated company	Sale of goods and services	**145**	77
		Purchase of goods and services	**48,086**	34,990

(d) Transaction by the Group with the related company of the corporate shareholder of UMW Fabritech Sdn. Bhd. is as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
UMW Fabritech Sdn. Bhd.	DKLS Construction Sdn. Bhd.	Construction of structures, plant and machinery	**21,379**	-

43. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(e) Transactions by the Group with the related company of the corporate shareholder of UMW Sher (L) Ltd. is as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
UMW Sher (L) Ltd.	Jaybee Energy Pte. Ltd.	Sale of goods and services	**13,486**	17,238
		Purchase of services	**2,008**	2,551

(f) Transaction by the Group with the related company of the corporate shareholder of Jaybee Drilling Pvt. Ltd. is as follows:

UMW & Its Subsidiaries	Transacting Parties	Nature of Transactions	2010 RM'000	2009 RM'000
Jaybee Drilling Pvt. Ltd.	Jaybee Energy Pte. Ltd.	Sale of goods and services	**13,850**	8,464

(g) Compensation of Key Management Personnel

	2010 RM'000	2009 RM'000
Salaries and wages	**16,181**	14,958
Provision for unutilised leave	**800**	734
Pension costs - defined benefit plan	**1,978**	1,767
Retirement gratuity	**1,098**	-
Other staff related costs	**2,068**	1,939
	22,125	19,398

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows -

	Note	2010		2009	
		Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group					
Financial assets					
Other investments (non-current)					
- Unquoted shares, at costs	13	**82,519**	*	1,775	*
Financial liabilities					
Long term borrowings					
- Fixed rate borrowings	22	**615,995**	**620,673**	504,206	504,660
Financial guarantees	25	**5,104**	**6,428**	-	-
		621,099	**627,101**	504,206	504,660
Company					
Financial liabilities					
Long term borrowings					
- Fixed rate borrowings	22	**609,532**	**614,210**	499,546	500,000
Financial guarantees	25	**1,503**	**1,619**	-	-
		611,035	**615,829**	499,546	500,000

* Other investments (unquoted shares) carried at cost (Note 13)

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments mainly represent ordinary shares in a company that is not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of Fair Values

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Receivables	
- Trade receivables (current)	16
- Other receivables (current)	16
- Due from subsidiaries (non-current)	16
Long term borrowings	
- Floating rate borrowings (non-current)	22
- Floating rate borrowings (current)	22
Payables	
- Trade and other payables (current)	25
- Trade and other payables (non-current)	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instrument that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(ii) Amounts due from subsidiaries, finance lease payables, fixed rate bank loans and bonds

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(iii) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

(iv) Unquoted debt instruments

Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of Fair Values (Cont'd.)

(v) Derivatives

Forward currency contracts, interest rate swap and cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curve.

(vi) Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to enjoy the best terms of borrowing and healthy capital ratios in its subsidiaries to support business and maximise shareholder value.

The Group's dividend policy is for all its subsidiary companies to declare and pay at least 50% of the subsidiary's net profit as dividends, unless funds are required for capital expenditure or investment purposes. Similarly, the Company has a dividend policy of paying at least 50% of its net profit attributable to shareholders after excluding unrealised profits.

For the purpose of maintaining a strong credit rating, the Group endeavours to keep its debt to equity ratio at around 50%.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short term borrowings	**825,236**	294,144	**-**	-
Long term borrowings	**1,858,199**	1,850,598	**609,532**	499,546
Total borrowings	**2,683,435**	2,144,742	**609,532**	499,546
Total equity	**5,267,011**	4,919,768	**1,308,714**	1,150,107
Gearing ratio	**51%**	44%	**47%**	43%

46. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business whilst managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimize potential adverse effects on the financial performance of the Group. The financial risk management practices are part of the Group's Enterprise Risk Management Framework.

The Board of Directors has established a risk management framework for subsidiaries within the Group. The Group's risk governance structure comprises the following:

(i) The Investment and Risk Management Committee at the Board level
(ii) The Risk Management Committee at corporate management level
(iii) Risk Management Unit at the respective operating units

Responsibilities of the Investment and Risk Management Committee include:

(i) to monitor the role, effectiveness and efficiency of the Risk Management Committee and Risk Management Units at operating units;

(ii) to review the risk profile of the UMW Group and risk mitigation action plans; and

(iii) to review the risk management policies, procedures and measurement methodologies of the UMW Group and to effect changes thereto, if deemed necessary.

The Risk Management Committee comprises members of the Management Committee. This Committee identifies and assesses risks, and makes recommendations on risk management to the Investment and Risk Management Committee.

Financial risk management objectives of UMW Group are as follows:

(i) to minimise exposure to all financial risks including foreign currency exchange, interest, credit and liquidity risks;

(ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and

(iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

(i) derivatives to hedge its exposure to currency, interest and cash flow risks. However, use of derivatives for speculation is specifically prohibited;

(ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably credit-worthy customers are accepted; and

(iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

(a) Foreign Currency Risk

Foreign currency risk is the risk where the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

These foreign exchange risk exposures are mainly in US Dollar, Japanese Yen, Australian Dollar and Indian Rupee.

Approximately 5% (2009: 8%) of the Group's trade receivables are denominated in foreign currencies whilst almost 44% (2009: 24%) of trade payables are denominated in the respective functional currencies of the Group entities.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to RM123,587,000 (2009: RM7,948,000) and RM109,041,000 (2009: Nil) for the Group and the Company respectively.

Material foreign currency exposures are hedged via forward exchange contracts, cross currency swaps and foreign currency options by using foreign exchange facilities maintained with leading banks in Malaysia and overseas. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2010, the Group hedged currency exposures on its individual transactions in excess of RM100,000 of its foreign currency denominated sales and purchases for which firm commitments existed at the reporting date, extending to April 2011.

The table below demonstrates the sensitivity of the Group's profit after tax as at year end to a possible reasonable change in the US Dollar, Japanese Yen, Australian Dollar and Indian Rupee exchange rates against Ringgit Malaysia with all other variables held constant:

		2010 RM'000 Effect on profit after tax
US Dollar	+ 10%	(14,730)
	- 10%	14,730
Japanese Yen	+ 10%	1,276
	- 10%	(1,276)
Australian Dollar	+ 20%	(10,190)
	- 20%	10,190
Indian Rupee	+ 10%	(1,560)
	- 10%	1,560

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest Rate Risk

Interest rate risk is the risk where the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its placements with financial institutions, bank borrowings at floating rates and loans at floating rates given to related parties. Its policy is to:

(i) have an optimal mixture of short and long term deposits or placements; and
(ii) manage its interest cost using a combination of fixed and floating rate debts. Material interest rate exposures are hedged via interest rate swaps.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's profit after tax, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

		2010 RM'000
	Basis points	Effect on profit after tax
Ringgit Malaysia	+ 50	7,202
	- 50	(7,202)
US Dollar	+ 50	(6,357)
	- 50	6,357

(c) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparts default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

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

Due to its diverse customer base, the Group does not have significant exposure to any individual customer nor does it have any major concentration of credit risk related to any financial institution.

46. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk

Liquidity risk is the risk when the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's policy to:

(i) have the right mixture of liquid assets in its portfolio;
(ii) maintain a healthy gearing ratio;
(iii) finance long term assets with long term loans; and
(iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Group					
Financial liabilities:					
Trade and other payables	1,606,819	-	-	-	1,606,819
Derivatives:					
- Forward contracts (gross payments)	4,882	-	-	-	4,882
- Interest rate swaps (settled net)	-	2,135	19,120	-	21,255
Loans and borrowings	854,325	542,030	1,391,574	10,952	2,798,881
Total undiscounted financial liabilities	2,466,026	544,165	1,410,694	10,952	4,431,837
Company					
Financial liabilities:					
Trade and other payables	11,863	-	-	-	11,863
Loans and borrowings	-	-	627,696	-	627,696
Total undiscounted financial liabilities	11,863	-	627,696	-	639,559

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which they manage and measure the risks for the financial year ended 31 December 2010.

47. REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM'000	Company RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	**1,901,547**	**10,833**
- Unrealised	**(5,365)**	**(10,028)**
	1,896,182	**805**
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	**960,321**	**-**
- Unrealised	**(12,581)**	**-**
Total share of (accumulated losses)/retained profits from jointly-controlled entities:		
- Realised	**(47,176)**	**-**
- Unrealised	**9,864**	**-**
	2,806,610	**805**
Less: Consolidation adjustments	**(53,975)**	**-**
Total retained profits	**2,752,635**	**805**

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-Ninth 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, 23 June 2011 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below -

RESOLUTIONS			FOR	AGAINST
ORDINARY BUSINESS				
ADOPTION OF AUDITED FINANCIAL STATEMENTS AND REPORTS	-	Ordinary Resolution 1		
DECLARATION OF DIVIDEND	-	Ordinary Resolution 2		
RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 123 OF THE ARTICLES OF ASSOCIATION				
A) TAN SRI ASMAT BIN KAMALUDIN	-	Ordinary Resolution 3		
B) DATO' MOHD. NIZAM BIN ZAINORDIN	-	Ordinary Resolution 4		
RE-ELECTION OF DIRECTORS PURSUANT TO ARTICLE 109 OF THE ARTICLES OF ASSOCIATION				
A) DATUK SYED HISHAM BIN SYED WAZIR	-	Ordinary Resolution 5		
B) KHALID BIN SUFAT	-	Ordinary Resolution 6		
C) WAN KAMARUZAMAN BIN WAN AHMAD	-	Ordinary Resolution 7		
APPROVAL OF DIRECTORS' FEES	-	Ordinary Resolution 8		
RE-APPOINTMENT OF AUDITORS AND AUTHORISING DIRECTORS TO FIX THEIR REMUNERATION	-	Ordinary Resolution 9		
SPECIAL BUSINESS				
PROPOSED RENEWAL OF/NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS	-	Ordinary Resolution 10		
PROPOSED RENEWAL OF SHARE BUY-BACK	-	Ordinary Resolution 11		
PROPOSED PROVISION OF MOTOR VEHICLES FOR NON-EXECUTIVE DIRECTORS	-	Ordinary Resolution 12		

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   2011.

Number of Shares Held	Tel. No./Handphone No.

....
Signature of Member(s)/Common Seal

Notes

(i) *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*

(ii) *A proxy need not be a member of the Company but, in accordance with Section 149 of the Companies Act, 1965 and the Articles of Association of the Company, if not a member of the Company, he/she must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies, Companies Commission of Malaysia, in a particular case.*

(iii) *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, is allowed to appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(iv) *The proxy form must be signed by the appointer or his attorney duly authorised in writing or in the case of a corporation, executed under its common seal or attorney duly authorised in that behalf.*

(v) *All proxy forms should be deposited at the Registered Office of the Company at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

PLEASE FOLD HERE

AFFIX STAMP

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

PLEASE FOLD HERE

UMW HOLDINGS BERHAD 090278-P
No. 10, Jalan Utas 15/7, P.O. Box 7052, 40915 Shah Alam
Selangor Darul Ehsan Malaysia.
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