For decades, we have striven to distinguish PROTON by reflecting our quality and PERSEVERING in perfecting our brand, in order to become a global automotive maker. From our very first SAGA to the latest INSPIRA, we spiral our capabilities every step of the way.

Best Value-for-Money Family Car

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of PROTON views high standards of Corporate Governance as fundamental to the culture and business practices of PROTON and its subsidiaries (PROTON Group) and in ensuring integrity, responsibility, transparency and accountability.

The Board of PROTON is committed to applying the recommendations of the Malaysian Code on Corporate Governance (revised 2007) (the Code) and the principles of Best Practices recommended in the Code to ensure that good corporate governance is practiced throughout the Group to effectively discharge its responsibilities to protect and enhance shareholder value. The Board is also committed to abiding by the Guidelines to Enhance Board Effectiveness as set by the Putrajaya Committee on GLC High Performance (PCG), and at the same time, strives to maintain a high standard of corporate governance within the PROTON Group by ensuring that the highest standards of corporate culture are practiced throughout.

Set out below is a statement on how the Group has applied the principles and adopted the best practices as laid down in the Code to achieve high standards of corporate governance. This statement describes how the Principles of Good Governance and provisions of the Code, are applied by the PROTON Group.

BOARD OF DIRECTORS

The Board is committed to establishing and enhancing shareholders' value in the long-term and is pleased to report that the Group has to its best efforts and knowledge complied with the Principles and Best Practises of the Code throughout the financial year under review. The Board continues to enhance its role in improving governance practices effectively and raising the standard of governance to safeguard the interests of the shareholders as well as stakeholders. To this end, the Board has full control of and is responsible for, the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls and risk management processes. The Group's overall strategic direction, development, implementation and control remain of primary importance to the Board.

Dato Sri' Mohd Nadzmi Bin Mohd Salleh, PROTON's Chairman, was previously the Managing Director of Perusahaan Otomobil Nasional Berhad (the then listed entity on the Kuala Lumpur Stock Exchange) from 29 June 1993 until 1 April 1996. Dato' Sri Mohd Nadzmi made a return to PROTON as Non Executive Chairman following his appointment on 1 January 2009.

The roles and responsibilities of the Non-Executive Chairman and the Managing Director are clearly defined. The Chairman's primary role is to lead the Board and he sets the tone of Board discussions and at the same time, ensures high integrity and effectiveness of the Board as a whole. He conducts Board meetings and ensures that meetings proceed in an orderly manner.

The Managing Director on the other hand is responsible for making and ensuring the implementation of broad policies as approved by the Board and reports to and discusses material matters including regulatory developments and strategic projects with the Board. The Managing Director is responsible for the leadership of the Group's business. There is therefore, a natural separation of management and governance leading to a balance of responsibility and authority.

The Non-Executive Directors are independent of management and are free from any business relationship which could materially interfere with the exercise of their independent judgment.

The Board has delegated matters pertaining to the day to day management, operations and strategic development of the Group, subject to the Limits of Authority and Group Policy and Procedures, to the Managing Director who is supported by a competent Management Team.

In the financial year ended 31 March 2011, the Board of PROTON Holdings Berhad (PHB) met fourteen (14) times, details of which are as shown below:

Name of Director	Designation	Date of Appointment	Date of Resignation	Meeting Attendance	%
Dato Sri' Mohd Nadzmi Bin Mohd Salleh	Non-Independent/ Non-Executive Chairman	1 January 2009	N/A	14/14	100
Dato' Sri Haji Syed Zainal Abidin B Syed Mohamed Tahir	Managing Director	1 January 2006	N/A	14/14	100
Dato' Michael Lim Heen Peok	Independent Non-Executive Director	15 September 2006	N/A	12/14	86
Mr. Behara Venkata Rama Subbu	Independent Non-Executive Director	1 March 2010	N/A	13/14	93
Tan Sri Rainer Althoff	Independent Non-Executive Director	22 June 2010	N/A	11/11	100
Encik Abdul Rahim Bin Abdul Hamid	Independent Non-Executive Director	20 July 2010	N/A	11/11	100
Datuk Johar Bin Che Mat	Independent Non-Executive Director	15 October 2010	N/A	7/7	100
Datuk Nozirah Binti Bahari	Non-Independent Non-Executive Director	6 July 2011	N/A	0/0	NA
Dato' Zalekha Binti Hassan	Non-Independent Non-Executive Director	11 February 2008	6 July 2011	9/14	64
Tuan Haji Abdul Kadir Bin Md Kassim	Independent Non-Executive Director	10 March 2005	27 May 2010	1/3	33
Mr. Oh Kim Sun	Independent Non-Executive Director	13 May 2009	27 May 2010	3/3	100

The profiles of the directors are set out on (pages 26 to 35) of the Annual Report.

Board meetings for the Company and its subsidiaries are scheduled in advance before the start of each calendar year and the meetings calendar is circulated to all Board Members at the beginning of each year. This would enable the Board Members to plan ahead and ensure attendance at Board Meetings. Additional meetings or Special Board meetings are convened whenever necessary when there are urgent and important decisions to be made.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

BOARD COMPOSITION AND BALANCE

The Board currently consists of eight (8) members with the Chairman being a Non-Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director, five (5) Independent Non-Executive Directors and one (1) Executive Director who is the Managing Director.

Apart from the Managing Director, all the Non Executive Directors are independent of management and free from any business or other relationships, which could materially interfere with the exercise of independent judgment.

INDEPENDENCE AND CONFLICT OF INTEREST

The Directors are required to make written declarations and it is their responsibility to declare whether they have a potential or actual conflict of interest in any transaction. Where issues involve conflict of interest, the interested Directors shall abstain from discussing or voting on the matter.

SUPPLY OF INFORMATION

The Board has full access to the Company Secretary who is available to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures are followed and rules and regulations are complied with. The Board is, from time to time, updated on changes in the law, governance and other regulatory requirements.

At the same time, the Board may from time to time request for information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively.

Senior Management and key personnel as well as professional and external advisors are from time to time invited to attend Board meetings to deliberate and clarify issues on the subject matter concerned.

In general, the agenda, board papers and minutes of previous meetings of the Board and Board Committees including minutes of board meetings of subsidiary companies are circulated in advance to the Board, before meetings. The agenda for every meeting permits the Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct the proceedings at Board meetings.

The Company has drawn up a list of transactions that would require the prior approval of the Board. The same is reflected in PROTON's Group Policy and Procedures and Limits of Authority.

POLICY ON APPOINTMENT OF DIRECTORS

The Board Nomination & Remuneration Committee reviews all new appointments by taking into consideration the skill sets required by the PROTON Group. Board Members are appointed through a formal and transparent selection process that is consistent with the Articles of Association of the Company and the Company's Selection Policy for Directors.

New Directors are required to undergo familiarisation programmes, plant visits and briefings to get a better understanding of the PROTON Group, its operations and the overall automotive industry.

Apart from carrying out annual reviews on the mix of skills and experience of the Directors, the Board Nomination & Remuneration Committee also ensures an effective process for selection of the Managing Director, Chief Executive Officer or Chief Operating Officer of all subsidiaries and any relevant associate and investee company, as well as all key posts within PROTON and the Group of Companies.

RE-ELECTION OF DIRECTORS

All Directors including the Managing Director are subject to retirement by rotation at least once in every three years and are eligible for re-election. In accordance with Article 104 of the Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, at least 1/3 of the Directors shall retire from office at each Annual General Meeting, PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

In addition, Article 139 states that a Managing Director shall be subject to retirement by rotation, and he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as other Directors of the Company.

Further, any new Director appointed to fill a casual vacancy or as an addition to the existing Directors shall only hold office until the next Annual General Meeting of the Company and shall then be eligible for re-election as stipulated under Article 111.

Directors who are over seventy (70) years of age are required to submit themselves for retirement annually at the Annual General Meeting, unless the Director is re-appointed by way of special resolution in accordance with Section 129 (6) of the Companies Act, 1965. None of the Directors of the Company are subject to retirement pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting.

At the forthcoming Annual General Meeting of the Company, the following Directors will retire and are eligible for re-election:

(i) Pursuant to Article 104
Dato' Sri Mohd Nadzmi Bin Mohd Salleh
Dato' Michael Lim Heen Peok

(ii) Pursuant to Article 111
Datuk Johar Bin Che Mat
Datuk Nozirah Binti Bahari

(iii) Pursuant to Article 139
Dato' Sri Syed Zainal Abidin
B Syed Mohamed Tahir

BOARD COMMITTEES

The Board had previously established five (5) Board Committees, namely the Board Audit Committee, Board Nomination & Remuneration Committee, Board Risk Management Committee , Board Disciplinary Committee and Board Executive Committee, the primary functions of which were to assist the Board in overseeing the affairs of the Group and these Committees had been entrusted with specific responsibilities and authority.

The abovementioned Board Committees were authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Following review of functions, the Board of PROTON had, on 27 July 2010, resolved the rationalisation of these Board Committees and with effect from 1 August 2010, PROTON had two (2) Board Committees as follows:

(i) Board Audit Committee (which apart from the functions stated herein, also assumed the role of overseeing the overall management of all risks of the Group's businesses); and

(ii) Board Nomination and Remuneration Committee (which assumed the role of overseeing the disciplinary matters affecting senior officers of the Group, complaints lodged through the Whistle Blower Policy and all matters relating to the Code of Conduct and Ethics).

The Board has once again reviewed the rationalisation of the various Board Committees that took effect on 1 August 2010. Following recommendation of the Board Nomination and Remuneration Committee, the Board has resolved to split the existing two (2) Board Committees (ie: Board Audit Committee and Board Nomination and Remuneration Committee) into four (4) Board Committees with effect from 19 May 2011 as follows:

(i) Board Audit Committee;

(ii) Board Nomination and Remuneration Committee;

(iii) Board Disciplinary Committee; and

(iv) Board Risk Management Committee.

A. BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) met nine (9) times during the course of the financial year. The composition of the BAC and their respective attendance record of meetings for the financial year ended 31 March 2011 were as follows:

Name of Director	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Encik Abdul Rahim Bin Abdul Hamid (Chairman)	Member – Independent Non-Executive Director	20 July 2010	N/A	8/8
Dato' Michael Lim Heen Peok	Member – Independent Non-Executive Director	29 November 2006	N/A	8/9
Tan Sri Rainer Althoff	Member – Independent Non-Executive Director	20 July 2010	N/A	8/8
Datuk Johar Bin Che Mat	Member – Independent Non-Executive Director	15 October 2010	N/A	5/5

Name of Director	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dato' Zalekha Binti Hassan	Member – Non-Independent Non-Executive Director	27 May 2010	15 October 2010	1/3
Mr. Behara Venkata Rama Subbu	Member – Independent Non-Executive Director	27 May 2010	20 July 2010	0/0
Tuan Haji Abdul Kadir Bin Md Kassim (*)	Member – Independent Non-Executive Director	10 March 2005	27 May 2010	1/1
Mr. Oh Kim Sun (*)	Chairman – Independent Non Executive Director	1 June 2009	27 May 2010	1/1

Note (*): Following the resignations of Mr. Oh Kim Sun's together with Tuan Haji Abdul Kadir Bin Md Kassim on 27 May 2010, the Company did not fulfill the requirements of Paragraph 15.09(1) (c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad until the appointments of Encik Abdul Rahim bin Abdul Hamid and Tan Sri Rainer Althoff as Chairman and Member of the BAC respectively, which took effect on 20 July 2010.

During the financial year, the BAC undertook the following activities:

(a) Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and the Group in accordance with Generally Accepted Accounting Practices.

(b) Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements.

(c) Reviewed the external audit reports and discussed any problems and reservations arising thereon.

(d) Reviewed the internal audit plan, methodology, functions and resources.

(e) Reviewed major findings on internal audit reports and management response.

The BAC was also entrusted with the responsibility of overseeing the overall management of all risks faced by the Group's businesses.

The Group Risk Management Committee (GRMC) has been entrusted with the responsibility for ensuring that an appropriate risk management framework exists within the Group and is effectively implemented to manage the key risks of the organisation on an on-going basis. The GRMC which comprises of Senior Management, is responsible for overseeing risk management implementation, regular updating of the Group's risk profiles and improving the implementation of methodology for risk management.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Prior to the rationalisation of the Board Committees on 1 August 2010, the then Board Risk Management Committee met once as follows:

Name	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Datuk Tan Kim Leong	Member – Independent	29 August 2005	1 August 2010	1/1
Dato' Zainuddin Che Din	Member – Independent	1 October 2008	1 August 2010	1/1
Tuan Haji Abdul Kadir Bin Md Kassim	Chairman – Independent Non Executive Director	29 September 2005	27 May 2010	1/1

The Salient Terms of Reference of the BAC is set out below.

Composition

The Committee shall be appointed from amongst the Board and shall:

(i) comprise of no fewer than three members;

(ii) all the members must be Non-Executive Directors; and

(iii) at least one member must be a member of the Malaysian Institute of Accountants or if he is not, then he must be a person who complies with Para. 15.09 (1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

No alternate director may be appointed as a member of the BAC.

The Board will review the terms of office and the performance of the BAC and its members at least once every three years.

Functions and Duties

The functions and duties of the BAC for the period under review were as follows:

(a) Review and report to the Board of Directors on the following:

- with the External Auditors, the audit plan;
- with the External Auditors, the External Auditor's evaluation of the system of internal controls;
- with the External Auditors, the External Auditor's audit report;
- the assistance given by the Company's employees to the External Auditors;
- the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work, and the performance of the members of the internal audit function;
- the internal audit programme, processes, the results of the internal audit programme, or investigation undertaken and whether or not appropriate action is taken by the management on the recommendations of the internal audit function;

- the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

  (i) changes in or implementation of major accounting policy;

  (ii) significant and unusual events;

  (iii) compliance with accounting standards and other legal requirements; and

  (iv) accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.

- any related party and conflict of interest situation that may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity;

- promptly report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

- submit to the Board a report on the summary of activities of the BAC in the discharge of its functions and responsibilities in respect of each financial year.

(b) Oversee the implementation and operation of the Risk management framework

- Review the Risk Management Strategy and Policy;

- Review significant risks and exposures identified and assess steps that management has taken to manage such risks;

- Advise the Board on significant changes to the Risk Management Framework including the Risk Management Policy and Strategy.

(c) Consider the appointment of the external auditor, the audit fee and any questions of resignation and dismissal.

Meetings

The BAC shall hold meetings on at least four occasions each year although additional meetings may be called as and when necessary, by the Chairman of the Committee. These meetings will usually be:

- prior to the current year's audit;

- upon completion of the External Auditor's interim examination;

- prior to the meeting of the full board to approve the financial statements;

- prior to the announcement of the quarterly results;

- upon the request of any member of the Committee or the External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider the matters brought to its attention;

- at least once a year, the Committee shall meet with the External Auditors without the presence of any Executive Directors and Management.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Attendance

In order to form a quorum in respect of a meeting of the BAC, the majority of members must be present throughout the meeting. The Chairman may request that any Board member, and members of the management, the Internal Auditors and/or representatives of the External Auditors be present at meetings of the BAC.

Secretary & Records

The Company Secretary shall be the Secretary to the Committee and shall be present at all meetings to record minutes.

Minutes of each meeting shall be prepared and entered into the books provided for the purpose and sent to the Committee members and will be made available to all Board members. The Minutes shall be signed by the Chairman of the BAC.

Internal Audit

The Group uses the services of the Group Internal Audit Division to accomplish its internal audit requirements. The Group Internal Audit Division reports to the BAC on matters concerning internal audit and assists the Board of Directors in monitoring and managing risks and internal controls.

The Group Internal Audit Division reviews internal controls related to all key activities of the Group and recommends improvements in controls and procedures. The Group Internal Audit Division is independent of the activities it audits and performs with impartiality and due professional care. The findings of the Group Internal Audit Division are reported to the BAC.

The BAC approves the internal audit plan of the Group Internal Audit Division each year. The scope of the internal audit covers the audits of all units and operations, including subsidiaries.

During the year, the Group Internal Audit Division serves to ensure internal control measures are adequate and effective in mitigating key risks and that they are monitored. The monitoring process will form the basis for continually improving the risk management process in the context of the Group's overall goals.

The Group Internal Audit Division is staffed by a total of 13 internal auditors (inclusive of the Head of Group Internal Audit) with different backgrounds in engineering, quality, finance, accounting and economics. During the financial year, the Group Internal Audit Division undertook 89 audit assignments and 8 special assignments. The total expenditure incurred by the Group Internal Audit Division for the financial year 2010/2011 was approximately RM2.5 million.

B. BOARD NOMINATION & REMUNERATION COMMITTEE

The objectives of the Board Nomination & Remuneration Committee (NRC) are in accordance with the Terms of Reference as approved by the Board of Directors of PROTON.

The NRC reviews appointments of new directors of the Group and the balance and effectiveness of the boards of directors, taking into account the required mix of skills and experience and other qualities, before making recommendations to the Board. The Committee is empowered to conduct periodic reviews on the overall remuneration policy and package of the Executive and Non-Executive Directors and Senior Level Mission Critical Positions of the Group, for recommendation to the Board. The authority and scope of coverage of the NRC is over the PROTON Group, which includes subsidiaries and relevant associates and other investee companies.

Effective 1 August 2010, the NRC was also the platform for the PROTON Group in dealing with disciplinary issues. The NRC was part of the structural mechanism for the handling of cases that arose from the Whistleblower and Asset Declaration policies, and had the power to initiate investigation, consider and take appropriate action on any case referred to it by any party either received orally or in writing.

The Composition of the NRC is as follows:

The NRC is made up entirely of Non-Executive Directors, with the majority consisting of Independent Non-Executive Directors.

Appointments to the Committee shall be for a period of three (3) years, which may be extended provided that the majority of the Committee members remain independent.

The NRC met five (5) times during the financial year.

Name	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dato' Sri Mohd Nadzmi Bin Mohd Salleh	Chairman	1 January 2009	N/A	5/5
Encik Ahmad Tajuddin Bin Abdul Carrim	Member – Independent	29 August 2005	N/A	5/5
Dato' Michael Lim Heen Peok	Member – Independent Non-Executive Director	13 November 2006	N/A	5/5
Datuk Nozirah Binti Bahari	Member – Non-Independent Non-Executive Director	6 July 2011	N/A	N/A
Dato' Zalekha Binti Hassan	Member – Non-Independent Non Executive Director	1 August 2010	6 July 2011	2/3
Encik Md Ali Bin Md Dewal	Member – Independent Non-Executive Director	29 August 2005	27 May 2010	4/4

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme (MAP) conducted by Bursatra Sdn. Bhd. and as imposed by Bursa Malaysia Securities Berhad.

Datuk Nozirah Binti Bahari, who was appointed non Independent Non Executive Director of PROTON on 6 July 2011 has until 6 November 2011 to complete the Mandatory Accreditation Programme.

Notwithstanding that Bursa Malaysia Securities Berhad's Continuing Education Programme was repealed with effect from 1 January 2005, the Company, generally, and the Directors specifically continue to identify and attend appropriate seminars and courses to keep abreast of changes in legislation and regulations affecting the Group.

The Company has arranged various in-house training programmes and luncheon talks on topics relevant to the Group, which were attended by both the members of the Board and Senior Management, including briefing on new international financial reporting standards, in particular, FRS 139 (Financial Instruments: Recognition and Measurement), regional and global markets updates (and its impact to PROTON).

Full day knowledge sharing workshops and half day sessions on the global automotive outlook for 2010 and 2011 were also conducted in the course of the year.

PROTON has engaged the services of a global growth consulting company to share global and regional automotive knowledge with the Board Members and Management through various types of workshops. The goal of this engagement is to deliver continuous learning to PROTON through interactive sessions supported by market analysis, technology trends, best practices, economic and policy impact analysis from across the region. The automotive consultant has during the course of the year conducted workshops and luncheon training programmes for both the Directors and Management of PROTON Group.

The Directors of PROTON have also attended programmes for building high performance directors, as well as the various talks organised by the Malaysian Directors Academy or "MINDA" as it is popularly known.

DIRECTORS' REMUNERATION

The NRC is responsible for reviewing the performance of the Executive Directors and recommending to the Board the remuneration package and reward structure. The Board as a whole determines the remuneration of the Executive and Non-Executive Directors. Directors do not participate in any discussions or decisions concerning each individual's remuneration.

In the case of the Executive Director, the remuneration is structured to link rewards to corporate and individual performance through key performance indicators comprising fixed and performance-based rewards.

The level of remuneration of the Non-Executive Directors reflects the experience and level of responsibilities undertaken by the Director concerned. The Non-Executive Directors are paid annual fees and attendance allowances (in accordance with the number of meetings attended). In addition, the Non-Executive Directors are also provided with various Benefits-In-Kind, including provision of a fully maintained Company car, petrol card and full coverage under the Directors and Officers Insurance Scheme.

Non-Executive Directors Fees are paid upon shareholders' approval at each Annual General Meeting.

The NRC carries out reviews when appropriate and refers to remuneration surveys and consultants to assist in determining the appropriate level of reward, which is competitive and consistent with the corporate objectives. This is necessary in order to attract and retain professionals with the qualities needed to manage the Group successfully.

Details of the total remuneration of the Directors of PROTON Holdings Berhad for the financial year ended 31 March 2011 are as follows:

Directors	Basic Salaries/ Bonus and Others Employee Benefits (RM)	Fees and Allowances (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors	1,730,494	–	171,125	1,901,619
Non-Executive Directors	–	1,137,989	198,253	1,336,242
Total	**1,730,494**	**1,137,989**	**369,378**	**3,237,861**

Remuneration	Number of Directors		
Range of Total Remuneration	Executive	Non-Executive	Total
RM1,000 – RM50,000	–	2	2
RM50,001 – RM100,000	–	4	4
RM100,001 – RM150,000	–	1	1
RM250,001 – RM300,000	–	1	1
RM600,001 – RM650,000	–	1	1
RM1,900,001 – RM1,950,000	1	–	1
Total	**1**	**9**	**10**

FINANCIAL REPORTING

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects of the Group to shareholders, the investor community and the regulatory authorities. Shareholders and other stakeholders are kept abreast of the Group's performance through the timely announcement of the quarterly financial results and accompanying press releases.

The Board Audit Committee assists the Board to oversee the financial reporting processes and the quality of its financial reporting. Quarterly financial results and annual financial statements are reviewed by the Board Audit Committee to ensure adequacy and completeness of information prior to the Board's approval. To enhance quality of the Group's financial reporting, the external auditors conduct quarterly reviews of the Group's quarterly results in addition to the year-end audit.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS RESPONSIBILITY STATEMENT

The Board is required by the Companies Act, 1965, to ensure that financial statements prepared for each financial year have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cash flow of the Company and the Group for the financial year.

The Board is responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy, the financial position of the Company and the Group and that the financial statements comply with the Companies Act, 1965.

In preparing the financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operations for the foreseeable future.

Internal Controls

The Board acknowledges its overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The size and complexity of the operations may give rise to risks of unanticipated or unavoidable losses.

The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. The Board Audit Committee reviews the effectiveness of the system of internal controls, which covers financial, operational and compliance controls, and also risk management.

Relationship with Auditors

The Board Audit Committee maintains an appropriate transparent relationship with both the Group external auditors and internal auditors. The external auditors are invited to attend Board Audit Committee meetings and present their audit findings when the Company's annual financial results are considered. The Board Audit Committee meets with the external auditors at least once a year without the presence of the Executive Director and Management.

Dialogue Between The Company and Shareholders/ Investors

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to timely disseminate the Group's performance and any significant developments affecting the Group to ensure that they are informed of all material business matters affecting the Group. Different channels of communication are optimised to ensure that clear, relevant and effective communication is facilitated. The Board and Management of PROTON communicate regularly with its shareholders and stakeholders through the following mediums:

Annual Report

The Annual Report is an important medium of information to the shareholders where it provides comprehensive information on the Group's financials, operations and activities. The contents of the Annual Report are consistently enhanced to reflect transparency and accountability in line with the best corporate governance practices.

General Meetings

The Annual General Meeting remains the main forum for communication and dialogue with the shareholders. Shareholders are encouraged to actively participate and interact through the 'questions and answers' session where shareholders are accorded both opportunity and the time to raise questions on the Group's performance, future growth prospects and strategies and other matters on the agenda during the meeting. The Board and members of the Senior Management as well as the External Auditors are available to provide explanations to the queries raised by the shareholders.

Bursa Malaysia Securities Berhad Announcements

The Board ensures that timely announcements of financial results and corporate developments are made to Bursa Malaysia Securities Berhad in accordance with the requirements of the Exchange. Analyst Briefings and Press Conferences

Press conferences and analyst briefings are normally held after the half and full year financial results are released to Bursa Malaysia Securities Berhad. Chaired by the Group Chairman and/or the Group MD, the briefings are to keep the investors informed of the various activities and initiatives undertaken by the Group and to provide clearer understanding of the Group's financial and operational performance.

Press Releases

Press releases are issued to the media on all significant corporate developments and business initiatives.

One-to-One Meetings

The Group aims to communicate fully with fund managers, investors and analysts upon request. Regular one-to-one meetings with analysts and fund managers are held to provide updates on the Group's strategy and financial performance.

Website for the Group

The Group has a website (www.proton.com) which provides information on the Group for all shareholders and the general public.

CODE OF CONDUCT AND DISCIPLINE

PROTON has in place a Code of Conduct and Discipline. Every Employee is required to comply with this said code and as may be determined by the Board, from time to time. This code consists of matters, prohibitions, duties or procedures relating to his/her employment.

Such code may be modified, added to, substituted for or otherwise amended from time to time as the Board deems fit. An employee is also required to comply with the penal code of the country.

Code of Ethics

The PROTON Group has established specific rules and regulations to govern the conduct of its employees. The Directors and employees of PROTON Group are expected to obey all laws in conducting business and to always act with honesty, integrity, loyalty, trustworthiness, fairness and responsibility.

It is PROTON's policy and Management's responsibility to apply these rules fairly and equitably to all employees.

Infringement of these rules may lead to disciplinary action such as verbal or written warnings, suspension without pay and dismissal from the Company/Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Purpose of Code of Ethics

This purpose of this Code of Ethics is to provide a framework for the proper conduct of Directors and employees while on the job. The policy gives Directors and employees guidance in identifying business situations which have the potential to create legal and ethical problems and to provide directions in handling those potential and actual situations.

The respective codes are made available to the Directors and employees.

Whistleblower Policy

PROTON had on 27 July 2006, implemented a Whistleblower Policy. The objective of the policy is to provide a mechanism for preventive and corrective action within the Group without the negative effects that come with public disclosure, such as loss of Company image or reputation, financial distress and loss of investor confidence.

The policy encourages employees or representatives of PROTON to disclose genuine concerns about illegal, unethical or improper business conduct within the Group. In this manner, the employees can help the PROTON Group to monitor and keep track of such illegal, unethical or improper business conduct within, which otherwise, may not be easily detected through normal process or transaction.

BUSINESS CONDUCT

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations throughout the world. The Group has in place group finance policies and employee procedures.

The Group has an appropriate organisation structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives. Lines of responsibility and delegations of authority are documented.

ADDITIONAL COMPLIANCE INFORMATION

Additional Compliance Information in accordance with Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year.

SHARE BUY-BACK

There was no proposal by the Company to carry out a share buy-back during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any warrants or convertible securities during the financial year.

AMERICAN DEPOSITORY RECEIPT (“ADR”) OR GLOBAL DEPOSITORY RECEIPT (“GDR”) PROGRAMME

The Company did not sponsor any ADR or GDR Programme during the financial year.

IMPOSITION OF SANCTIONS/PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by relevant regulatory bodies during the financial year.

VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year.

PROFIT GUARANTEE

There was no profit guarantee for the financial year.

MATERIAL CONTRACTS

There was no material contract entered into by the PROTON Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 March 2011 or entered into since the end of the previous financial year.

REVALUATION POLICY ON LANDED PROPERTIES

The Significant accounting policies on property, plant and equipment are disclosed in Note 3(C) of the Summary of Significant Accounting Policies.

NON AUDIT FEES

During the financial year, the amount of non-audit fees paid and payable to the external auditors by the Group are as follows:

	2011 RM’000	2010 RM’000
External Auditors		
PricewaterhouseCoopers Malaysia	**400**	232
Member firm of PricewaterhouseCoopers International Limited (a separate and independent legal entity from PricewaterhouseCoopers Malaysia)	**1,315**	592
Total	**1,715**	824

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

RECURRENT RELATED PARTY TRANSACTIONS

On 8 June 2007, PROTON obtained exemption from Bursa Malaysia Securities Berhad (Bursa) from disclosing Recurrent Related Party Transactions with Khazanah Nasional Berhad's investee companies. As a result, PROTON is not required to seek shareholders mandate for such transactions at the forthcoming Annual General Meeting of the Company.

Further, Bursa had, on 14 December 2006 amended the Listing Requirements pertaining to related party transactions whereby the threshold for a major shareholder was increased from 5% to 10% of the aggregate nominal amount of voting shares in a company, PROVIDED that the said shareholder is not the largest shareholder of the company.

The Employees Provident Fund Board (EPF) which currently holds approximately 8.236% of the issued and paid up capital of PROTON is not deemed a related party by virtue of the fact that EPF and/or person(s) connected with the EPF:

a. is/are not the largest shareholder of the Company;

b. is/are not a party to any transaction, initiator, agent or involved in any manner in any transaction with the PROTON Group; and

c. does not have any representative in an executive capacity on the Board of Directors of PROTON or any of the subsidiaries.

The other major shareholder, Petroliam Nasional Berhad holds 7.851% equity interest in PROTON.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Directors of listed companies are required to make disclosures in their annual reports on the state of internal control in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. The Board's Internal Control Statement, which has been prepared in accordance with the Guidance, is set out below.

BOARD RESPONSIBILITY

The Board of Directors ("The Board") recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board has an overall responsibility for the Group's system of internal controls and its effectiveness, as well as reviewing its adequacy and integrity. The Group's system of internal controls is designed to manage the principal business risks that may impede the Group from achieving its business objectives. The system, by its nature, can only provide reasonable but not absolute assurance against any material misstatement or loss occurrence.

RISK MANAGEMENT

Risk management is regarded by the Board to be an integral part of the Group's operations with the objective of maintaining a sound internal control system and ensuring its continuing adequacy and integrity. A formal risk management framework and policy was approved by the Board for the Group to identify, assess, treat, report and monitor key risks faced by the Group. The effectiveness of the risk mitigation actions are reviewed quarterly by the Group Risk Management Committee (GRMC) and Board Audit Committee (BAC), respectively.

The Group Risk Management Division (GRMD) is entrusted with the responsibility of ensuring that an appropriate risk management framework exists within the Group and is effectively implemented to manage the key risks of the organisation on an on-going basis. GRMD is also responsible for providing reasonable assurance to the GRMC that the risks facing the organisation are effectively managed.

The GRMC, which comprises of Senior Management, is responsible for overseeing risk management implementation, regular updating of the Group's risk profiles and improving the implementation of methodology for risk management. The Committee deliberates and determines the Group's major risks to be escalated for the attention of the BAC.

The BAC explicitly assumes the role to facilitate the discharge of the board's stewardship responsibility in identifying principal risks and ensuring the implementation of appropriate systems to manage these risks. The BAC is also responsible for reviewing the adequacy and the integrity of the company's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

For the financial year ended 31 March 2011, the GRMC and BAC have held quarterly meetings in accordance with their respective terms of reference.

ASSURANCE MECHANISM

Apart from risk management activities, the Board and Management have established other processes for identifying, evaluating and managing significant risks faced by the Group. They continue to strive in enhancing and implementing the internal control system to manage those risks that could affect the Group's growth and financial viability. These processes include updating the system of internal controls when there are changes to the business environment or regulatory guidelines. The key elements of the Group's control environment include:

STATEMENT ON INTERNAL CONTROL (CONT'D)

Board Committees

Board Committees were established by the Board to assist the Board in the execution of its responsibilities to provide oversight on the effectiveness of the Group's operations. The responsibilities and authority of the Committees are governed by specific terms of reference and these Committees are accountable to the Board.

The Board Committees are:

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Disciplinary Committee
- Executive Committee

The details of the abovementioned Board Committees are set out separately in the Statement on Corporate Governance of this annual report.

Board Audit Committee

The Board has delegated the duty of reviewing and monitoring the effectiveness of the Group's system of internal controls to the Board Audit Committee (BAC).

The BAC assumes the overall duties of reviewing with the external auditors their audit plan, audit report, as well as their findings and recommendations on internal controls highlighted annually in the Internal Control Memorandum. Throughout the financial year, the BAC was updated on the developments of Malaysian Financial Reporting Standards, as well as legal and regulatory requirements. It also reviews the effectiveness of the internal audit function, with particular emphasis on the scope and quality of audits, resources as well as the independence of the Group Internal Audit Division (GIAD).

The BAC continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group.

Further information relating to the activities of the BAC is set out separately in the Statement on Corporate Governance of this annual report.

Organisation Structure and Management Committees

An organisation structure, which is aligned to the business and operational requirements and led by Heads of Division with clearly defined lines of responsibility, accountability and levels of authority, is in place to assist in implementing the Group's strategies and day-to-day business activities.

Various functional committees were set up at the management level to ensure the Group's actions and operations are properly aligned towards achieving the organisation's goals and objectives.

The Management Audit Committee, comprising members of Senior Management from respective core business and support functions, regularly monitors major internal and external audit findings to ensure they are timely addressed and resolved.

Group Internal Audit Division (GIAD)

GIAD continues to independently monitor compliance with internal policies and procedures, effectiveness of the internal control systems and highlights significant findings for corrective actions by line management and reports directly to the BAC.

The annual audit plan, which covers PROTON and its subsidiary companies, is reviewed and approved by the BAC annually. A quarterly work status update is given by the GIAD to the BAC. GIAD regularly reviews the approved annual audit plan to ensure significant risk areas are given adequate audit focus.

The interests of PROTON in associated companies and jointly controlled entities are primarily served through representation on the board of directors of the respective companies. Internal controls of associated companies and jointly controlled entities are reviewed upon any ad-hoc request by the BAC.

On a quarterly basis, GIAD updates the BAC on the status of corrective actions taken by line management arising from the audit findings highlighted by both GIAD and the external auditors.

Further information relating to the activities of GIAD is set out separately in the Statement on Corporate Governance.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control systems are described below:

- Defined delegation of responsibilities to committees and management of head office and operating units, including authorisation levels for various aspects of the business, which are clearly set out in the revised Limits of Authority;
- Documented internal policies and procedures as set out in the Group Policies and Procedures. There is extensive documentation of policies, procedures and guidelines on the Group's intranet site (ASPIRE) including those relating to Financial, Contract Management, Marketing, Procurement, Human Resources, Information Systems etc;
- Quarterly financial statements and the Group's performance are deliberated by the BAC, which subsequently presents them to the Board for their review, consideration and approval;
- Management Committee meetings are held on a regular basis to identify, discuss and resolve operational, financial and key management issues;
- A comprehensive budgeting process where the annual budgets are approved by the Board;
- The Board receives and reviews monthly reports from Management on key strategic and operational issues and provides direction to Management;
- The Whistleblower Policy is in place to provide an internal mechanism for employees to raise their concerns about malpractices, irregularities and negligence affecting PROTON without fear of adverse repercussions and with their confidentiality protected;
- Continuous training efforts to enhance the leadership quality and competency of the workforce are provided to staff through a wide variety of schemes and programme such as PROTON Leadership Talent, Cross Assignment to Government-Link-Companies (GLCs) and Cross Fertilization with Government Offices as part of the Orange Book initiatives in Strengthening Leadership Development;
- Regular employee perception surveys such as Internal Customer Satisfaction Survey (ICSS) and Employee Engagement Survey (EES) were conducted to obtain feedback from employees to promote continuous improvements; and
- Improvement to the formal employee appraisal system for effective coaching and evaluation of employee performance using established Key Performance Indicators (KPIs). The resolution rate of internal audit findings is also included in the Division KPIs to ensure gaps in the internal controls system are effectively and timely addressed by the business units.

CONCLUSION

For the financial year under review, some weaknesses in internal control were detected. However, after due and careful inquiry and based on the information and assurance provided, the Board is satisfied that there were no material losses as a result of weaknesses in the system of internal controls. Nevertheless, identified areas of concern are accorded closer attention and more regular monitoring to ensure key internal controls are adequate and effective to continually safeguard shareholders' investment and the Group's assets.

RISK MANAGEMENT STATEMENT

"STEERING THE COURSE TOWARDS REALISING THE VISION"

The Financial Year 2010/11 was another milestone for PROTON in realising its vision as the next Asian Challenger in the automotive industry. As the integral part of the business strategy, a successful implementation of various key initiatives essentially required a structured, proactive, effective and consistent Enterprise Risk Management (ERM) framework.

The ERM Framework allows the prioritising of corporate and operational risks throughout the group. This has also enabled the development of an effective internal compliance and review plan. It addressed the Group business risk through complete risk management cycle, incorporating the assessment, reporting, treatment, monitoring and constant review of the risk profiles.

OVERVIEW

The Group firmly believes that effective Risk Management is an essential and integral part of its Corporate Governance and shall continuously strive for excellence to ensure effective and systematic protection of the overall business.

The Group operates in a highly competitive environment and is exposed to various corporate and operational risks. The Group's ERM has proactively reviewed, monitor and managed these risks which include Market, Human Resource, Procurement, Manufacturing, Engineering, Project and Marketing.

A structured and integrated approach in managing key business risks has been adopted for the ERM in line with the risk management framework and best practices. It is consistent with the ISO 31000 which involves the systematic identification and analysis of risks which impact the organisation business objectives.

RISK ASSESSMENT AND REPORTING

Risk management is firmly embedded within the divisions through the Annual Management Plan (AMP) process and Key Performance Indicator (KPI) development. The divisions being the first line of defense against risks are responsible for identifying, mitigating and managing risks and has to ensure that their business activities are within the established risks policy and guidelines.

Activities carried out by Group Risk Management Division (GRMD) to discharge its duties and responsibilities were set out in the Charter, which include among others:

- Analyse risk assessment reports from all Divisions and on quarterly basis reports to Group Risk Committee (GRMC) on the consolidated risks faced and the mitigation plan for deliberation.
- Present quarterly to Board Audit Committee (BAC) and Board Risk Management Committee (BRMC) on the key risks summary for further deliberation of risks that impact business objectives.

All risks identified were assessed to determine the risk rating based on a 3x3 risk matrix, with the rationale of improving efficiency, encouraging proactive response and promoting common risk language. The efforts and resources to mitigate the risks are aligned to the rating matrix.

Figure 1: Risk Matrix

Risk Map

Likelihood		Minor	Moderate	Major
	Likely	Medium	High	High
	Possible	Low	Medium	High
	Unlikely	Low	Low	Medium

Impact

Risk Evaluation Table

Risk Rating	Priority for Action
High	Immediate attention required
Medium	Caution
Low	For notation

Source: Group Risk Management Policy

RISK AWARENESS AND COMMUNICATION

Risk Awareness sessions have been conducted for the company's middle management. This is part of the Group continuous initiative to improve the risk management culture within the company.

In Financial Year 2010/11 risk management workshops were organised for all divisions within the Group in which divisional line managers were trained with the following objective:

- Facilitate and assist divisions to ensure risk management is firmly embedded as a business process.
- Develop an enduring and positive risk management culture throughout the Group.

The programme is continuously conducted with innovative approaches to impart risk management knowledge in ensuring that risks faced by the Group are being addressed proactively.

RISK MANAGEMENT SCORECARD

In the Financial year in review, the Group has enhanced the risk management framework and policy adopted from the global best practice guideline and standard in line with the Khazanah Green Book and Malaysian Corporate Code of Governance (MCCG).

Risk Management Scorecard (RMSC) was introduced to enhance the risk management process and practices. Furthermore it improves Group's adequacy and effectiveness in managing and practicing risk management across its business operations.

Implementation of RMSC for Financial Year 2010/11 has helped to enhance and improve the risk management culture in the Group, with majority of the divisions within the Group achieving beyond target.

The results achieved were on the following thrusts:

- Systematic risk profiling capability improved.
- Key element on risk assessment such as risk limit was practiced.
- Active integration of risk management practices in divisional operation decision making.

RISK MANAGEMENT STATEMENT (CONT'D)

Figure 2: Risk Management Scorecard (RMSC)

	Sets The Company Risk Parameters	Understand Major Risk Exposure	Considers The Risk Factors in All Major Decisions
Objectives/ Goals	Thresholds are controlled within pre-determined risk limits	Provide sufficient internal controls, clear accountabilities and mitigation plans	Culture of identifying and managing the potential risk throughout the organisation
What to measure?	Number of "risk limit" guideline established	Number of key risk profile, register & mitigate in timely manner	Number of risk management practices demonstrated at decision making process
Targets for FY2010/11	"Risk limit" established per division	Divisional risk profile conducted per year at strategic and operational initiatives	Application at key decision making process

RISK FACTORS

Various risk assessments were performed in the year under review specifically for our operations in every market. Updates on mitigation plan are reported to the GRMC and BRMC respectively on a quarterly basis. As the Group's future lies in expanding into the export markets, it is imperative that efforts are taken to ensure that all risks factors faced by the organisation are effectively managed:

a. Industry and Business Risks

The global automotive market is highly competitive. Intense competition from other automotive manufacturers is constantly being faced by PROTON in the segments which it operates. Competition has intensified amidst difficult overall market conditions due to the weak global economy.

Each market that Proton competes in has been subjected to considerable volatility in demand. The large extent of social, political and economic conditions in those markets including the introduction of new technologies and vehicles are the main elements in the competition war.

The future success depends on the ability to offer new innovative competitively priced products that meet customer demand timely particularly relating to quality, safety and reliability. The timely introduction of new models, offered at competitive prices, meeting customer preferences and demand is crucial.

b. Financial Market and Economic Risks

The overall business operations are subjected to currency and interest rates fluctuations which may affect the pricing of the end product sold, raw materials and components. Use of certain derivative financial instruments including interest rate swaps and increased localised production helps reduced the effects.

Escalation of prices for raw materials used in the Group and its suppliers in manufacturing the end products and components may lead to higher production costs and subsequently pose a negative impact to the projected profit and adversely affect the ability to raise capital for future growth.

c. Political, Regulatory and Legal Risks

The automotive industry is subjected to various laws and government regulations including vehicle safety and environment pressure such as emission levels, fuel economy, noise and pollution. This has exposed the Group to risks related to recalls for vehicle that may not comply with the safety standards within the law and regulation.

In addition, new tariffs, trade barriers, taxes and levies, enact price and exchange control and local protection imposed by government or countries in which PROTON operates, has also influenced the Group's strategic objectives and decision making.

Global issues and events such as political instability, natural calamities, epidemics, terrorism and country sentiments may also affect Group business operations.

CONCLUSION

In view of PROTON's strategic aspiration as an Asian Challenger in the Automotive industry, continuous improvement on risk management framework is crucial.

The Group shall continue to cultivate risk management culture to give reasonable assurance that the shareholders interests are protected. However, providing assurance that risks are effectively managed requires commitment and discipline from all divisions. Therefore, enhancement on the ERM framework and competency will remain the top priority of the Group to cultivate a more proactive risk management operation.

Managing key risks and identifying emerging risks especially in export markets will also be the Group's focus Financial Year 2011/12 to catapult the Company into becoming a major international player. Concerted efforts on all fronts are crucial to maintain the commitment of all divisions towards embedding risk management practices as an integral part of the day-to-day decision making process in the organisation.

With the support of the BRMC, the risk management function will continue to move forward in enhancing the appreciation of risk management and strive for a stronger and more resilient risk management culture within the Group.

CALENDAR OF EVENTS

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AUG 10

10 PROTON signed a Supply Chain Financing Solution agreement with CIMB to alleviate the cash-flow burden faced by vendors.

17 A Collaboration Agreement was signed between PROTON and UTM for a Professorship Programme. A professor from UTM will be assigned on a full-time basis in PROTON for a period of two years to strengthen PROTON's research capabilities and assist with the development of a new generation of Proton cars.

17 PROTON Advisor, YABhg. Tun Dr. Mahathir Mohamad enjoying his 'Buka Puasa' with PROTON Chairman, Dato' Sri Mohd. Nadzmi Mohd. Salleh during the breaking of fast with PROTON staff, in Shah Alam.

20 YB Dato' Sri Mustapa Mohamed, Minister of International Trade & Industry together with PROTON Group Managing Director, Dato' Sri Hj. Syed Zainal Abidin Syed Mohamed Tahir and some of the orphans invited to the 'Berbuka Puasa' event with the Minister.

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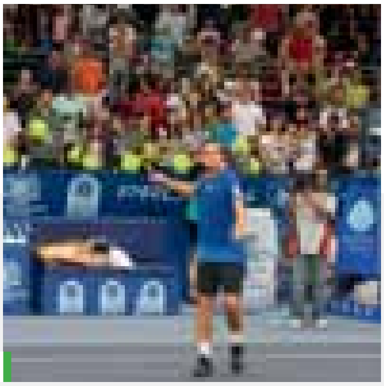

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SEPT 10

23 PROTON Holdings Berhad's 7th Annual General Meeting was held at the PROTON Centre of Excellence.

25 Mikhail Youzhny hitting some tennis balls to the fans at the PROTON Malaysian Open ATP 250 Tennis Championship held at Stadium Putra, Bukit Jalil.

OCT 10

5 The actors taking a bow at the end of the Tun Mahathir Musical held at the Istana Budaya, Kuala Lumpur during PROTON's Corporate Night.

6 A traditional Malay band serenading the guests during PROTON's 'Raya Open House' at the Kuala Lumpur Convention Centre.

14 PROTON unveiled a new sedan name, the Proton Inspira, chosen via a naming competition. During the event at the PROTON Centre of Excellence, the winner was awarded a prize of RM10,000.

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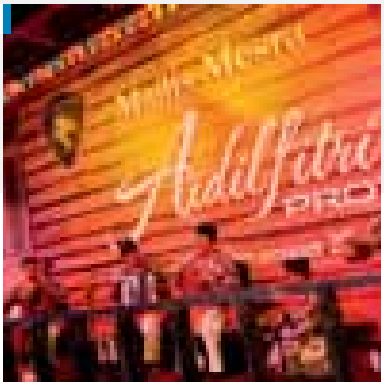

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CALENDAR OF EVENTS (CONT'D)

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NOV 10

6 PROTON competed in the inaugural 'Brighton to London Future Car Challenge' and won in the 'Best Range Extender Electric Vehicle' category with the Proton Exora REEV.

10 The launch of Proton Inspira by YB Dato' Sri Mustapa Mohamed, Minister of International Trade & Industry at PROTON Centre of Excellence, Subang Jaya.

DEC 10

3 Proton Tuah, one of the five concept cars themed as the 'Pahlawan Series' was unveiled at the 2010 KL International Motorshow held at the Putra World Trade Centre.

15 Introduction of the new SAGA FL by PROTON Group Managing Director, Dato' Sri Hj. Syed Zainal Abidin Syed Mohamed Tahir.

18 Flag off for the 'Festival PROTON 1MALAYSIA' car convoy in conjunction with PROTON's 25^{th} anniversary celebrations.

31 The public had a great time welcoming the arrival of the new year 2011 at the Grand Finale of 'Festival PROTON 1Malaysia' at the PROTON Centre of Excellence, Subang Jaya.

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JAN 11

4 Minister of Youth & Sports, YB Dato' Sri Ahmad Shabery Cheek officiated the launch of PROTON Motorsports Rally Team for the 2011 season at the PROTON Centre of Excellence, Subang Jaya.

12 Proton Exora was voted the 'Best MPV: Overall Value for Money' by CIMB Autoworld Car of the Year Awards 2010.

17 PROTON Motorsports Rally Team makes its 2011 debut at the Rally of Monte Carlo.

18 'Pasukan Bantuan Bencana (PBB) PROTON' was formed, comprising volunteers from PROTON and its subsidiaries to assist victims of natural disasters and catastrophes in Malaysia. Here, they assisted victims of the flood hit areas in Pagoh, Johor by clearing the surrounding areas of homes affected by the floods.

22 The triumphant Datuk Lee Chong Wei celebrates his win at the PROTON Malaysia Open Badminton 2011 championship, held at Stadium Putra, Bukit Jalil.

23 PROTON continues its long-term support of Le Tour de Langkawi by becoming the Official Car Provider and sponsor of the 16th Edition of the race event.

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CALENDAR OF EVENTS (CONT'D)


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FEB 11

11 Yayasan PROTON awarded scholarships to 13 students to pursue further studies in Engineering, Accountancy and IT at various higher education institutions in the country.

24 Proton Inspira 1.8 (M) was awarded 2nd place in the 'Family Car' category (6.3litre/100km) and Lotus Elise S, 3rd place in the 'High Performance Car' category (8.2litre/100km) in the Asian Auto Fuel Efficiency Awards 2010.

25 An Analyst's Briefing was held in relation to PROTON's Q3 2010/11 Financial Announcement at the PROTON Centre of Excellence, Subang Jaya.

MAR 11

8 A special media briefing with Group Lotus and Lotus Renault GP Team in conjunction with Petronas Malaysia Grand Prix 2011 was held at the Pavilion, KL.

9 A media test drive of the new R3 Satria Neo was held at PROTON's Test Track.

24 PROTON was awarded the Quality Management Excellence Award by the Ministry of International Trade & Industry during the Malaysia Industry Excellence Award 2010 dinner presentation at KL Convention Centre. Here, PROTON Group Managing Director Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir receives the award from the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Abdul Razak.


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APR 11

3 PROTON Motorsports Rally Team grabbed the No. 1 and 3 podium finishes at the 1st round of FIA Asia Pacific Rally Championship (APRC) in Johor Bahru.

7 The Lotus Renault GP Team during a visit to PROTON in Subang Jaya. The delegation was led by Eric Boulier, Team Principal and Managing Director of LRGP and included Vitaly Petrov, Bruno Senna and F1 legend and Group Lotus ambassador, Jean Alesi.

10 The Lotus Renault GP team achieved a 3rd place podium finish at the Petronas Malaysia Grand Prix 2011 in Sepang International Circuit, thanks to Vitaly Petrov!

13 Proton Persona won the Best Value for Money Car (for 1.6L and above category) award at the Frost & Sullivan 2011 Malaysia Excellence Awards.

14 The Malaysian Skills Competition (Automotive Category) preliminary rounds was held at the Alor Star Stadium.

15 Lotus Cars Limited signed a GBP270 million syndication loan agreement with six banks to finance the Group Lotus Transformation Plan.

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CALENDAR OF EVENTS (CONT'D)

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18 The 'Change Starts with Me' (CSWM) Awareness road show and company-wide campaign commenced to inform staff of the on-going change initiative.

21 The PROTON-PETRONAS ATFXP3 automatic transmission oil was launched by En. Shukor Ibrahim, CEO of Proton Edar Sdn Bhd at the Putrajaya International Convention Centre.

22 PROTON Group Managing Director, Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir launched PROTON's yearly Quality Campaign at its manufacturing premises in Shah Alam.

26 The media launch of 'Persona Undoubtedly Campaign', where the campaign ambassadors – Aanatha (THR Raaga), DJ Lin (Suria FM) and Jack Lim (MY FM) were introduced. On the extreme left is Abdul Sidik Abdul Hamid, GM of Marketing, Proton Edar Sdn Bhd.

MAY 11

10 Launch of Centre of Logistic Allocation Storage and Services (CLASS) at Sijangkang – a collaboration between PROTON and Konsortium Logistik Berhad.

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25 PROTON handed over ten units of Proton Inspira cars to Polis DiRaja Malaysia at PROTON's Test Track to be used for day-to-day police operations.

25 PROTON announced its Q4 Financial Results for 2010/11 at a Media Briefing attended by PROTON Chairman, Group Managing Director and Chief Financial Officer.

27 Hip-hop dancers at PROTON's booth during the 'Perhimpunan Sejuta Belia' Hari Belia 2011 Celebration in Putrajaya, together with a host of other fun activities, added to PROTON's appeal to the younger generation.

JUN 11

7 The LRGP Formula One race car 'R31' on display at PROTON's booth at the SMIDEX Exhibition 2011.

20 PROTON hosted a visit by the delegates of the Langkawi International Dialogue to its Manufacturing and R&D facilities in Shah Alam.

24 PROTON Group Managing Director, Dato' Sri Hj. Syed Zainal Abidin B Syed Mohamed Tahir greeting students from Sekolah Menengah Teknik Shah Alam during the GLC Open Day Exhibition 2011 at the KL Convention Centre.

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CALENDAR OF EVENTS (CONT'D)


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JULY 11

2 YABhg. Tun Dr. Siti Hasmah Mohamad Ali presenting an award during Yayasan PROTON's Academic Excellence Award Presentation Ceremony.

12 Proton Saga FL 1.6 won the 'Best People's Car' award and the Proton Inspira 1.8 won the 'Best Value For Money Family Car' award in the Asian Auto – Auto Industry Awards 2011.

22 UTM-PROTON Research & Development satelite labs in both UTM campuses in Kuala Lumpur and Skudai, Johor were launched.

25 PROTON's readiness for the production of its new Global Car at Tanjung Malim was announced and signified a new era for PROTON.

26 Proton Saga FLX 1.3L with CVT was launched providing consumers with better fuel-efficiency for consumers.

26 The kids and headmistress of Rumah Kebajikan Warisan Setia Damai, Pahang were elated with the makeover given to their home by Pasukan Bantuan Bencana (PBB) PROTON as part of PROTON's Community Outreach Programme.


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28 The '1Perayaan PROTON' celebration was launched by PROTON Group Managing Director, Dato' Sri Hj. Syed Zainal Abidin Syed Mohamed Tahir. The special programme celebrates Ramadhan, Syawal, Hari Merdeka and Hari Malaysia 2011 through various activities that will benefit the Malaysian public in the true spirit of 1Malaysia.

In Growing with our nation, we are...

...Committed to be Better!

Winning The Nation's Heart

Through PROTON, Malaysia now hosts state-of-the-art vehicle manufacturing plants and engineering capabilities.

Winning Acclaim

With one of the world's leading automotive engineering consultancy companies, Lotus, in its stable, PROTON has an invaluable resource to leverage upon.

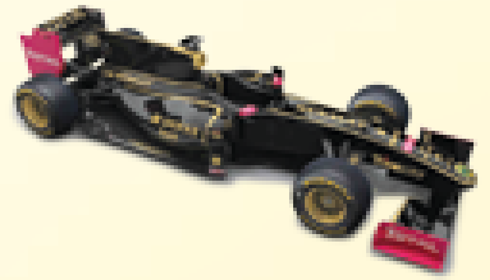
PROTON has come a long way as a national automotive manufacturer. We have now evolved into an international automotive carmaker, touching lives in Malaysia and across the globe with pride, passion and progress - in many award-winning ways.

Winning Loyalty

PROTON is currently the market leader commanding 29% of the domestic market share. Malaysia's largest auto manufacturer, PROTON is the only home-grown and indigenous OEM car manufacturer in Southeast Asia.

Winning International Acclaim (FI)

Through motorsports we are establishing a global presence and a dynamic showcase for our brand, products and technology.




LOTUS
RENAULT
PERFORMA

PROTON experienced an exhilarating start of the 2011 F1 season as Lotus-Renault came in third in both the Melbourne and Malaysian Grand Prix. The podium finishes accelerate our passion for excellence as we continue to make an impact in the international motor arena.

STATUTORY FINANCIAL STATEMENTS

DIRECTORS' REPORT

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP AND COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding activities.

The principal activities of the subsidiary companies are set out in Note 16 of the financial statements. There have been no significant changes in the activities of the Group and Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	**155,612**	**118,125**

DIVIDENDS

Since the end of the previous financial year, the Company has paid a final dividend of 20 sen per ordinary share less tax at 25% on 549,213,002 ordinary shares amounting to RM82,381,950 in respect of the financial year ended 31 March 2010.

The Directors recommend the payment of a final dividend of 10 sen per ordinary share less tax at 25% on 549,213,002 ordinary shares amounting to RM41,190,975 in respect of the financial year ended 31 March 2011, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIRECTORS

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

Dato' Sri Mohd Nadzmi bin Mohd Salleh	
Dato' Sri Syed Zainal Abidin B Syed Mohamed Tahir	
Dato' Lim Heen Peok	
Behara Venkata Rama Subbu	
Tan Sri Rainer Althoff	
Abdul Rahim bin Abdul Hamid	
Datuk Johar bin Che Mat	(appointed on 15.10.2010)
Datuk Nozirah binti Bahari	(appointed on 06.07.2011)
Datuk Zalekha binti Hassan	(resigned on 06.07.2011)

DIRECTORS (cont'd)

In accordance with Article 104 of the Company's Articles of Association, Dato' Sri Mohd Nadzmi bin Mohd Salleh and Dato' Lim Heen Peok retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 111 of the Company's Articles of Association, Datuk Johar bin Che Mat and Datuk Nozirah binti Bahari retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

In accordance with Article 139 of the Company's Article of Association, Dato' Sri Syed Zainal Abidin B Syed Mohamed Tahir retires at the forthcoming Annual General meeting and, being eligible, offers himself for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits disclosed as Directors' remuneration in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the register of Directors` shareholdings, no Director in office at the end of the financial year held any interest in shares or debentures in the Company or its related corporations.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (cont'd)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and Company to meet their obligations when they fall due.

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person except as disclosed in Note 47 to the financial statements; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 6 (government grant income) to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 July 2011.

DATO' SRI MOHD NADZMI BIN MOHD SALLEH
CHAIRMAN

DATO' SRI SYED ZAINAL ABIDIN B SYED MOHAMED TAHIR
MANAGING DIRECTOR

STATEMENTS OF COMPREHENSIVE INCOME
For The Financial Year Ended 31 March 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	5	**8,969,882**	8,226,859	**97,930**	101,203
Cost of sales	6	**(7,980,743)**	(7,382,698)	**–**	–
Gross profit		**989,139**	844,161	**97,930**	101,203
Research and development expenditure		**(20,673)**	(42,899)	**–**	–
Other operating income		**158,269**	181,232	**28,885**	3,454
Distribution costs		**(153,772)**	(132,598)	**–**	–
Administrative expenses		**(745,463)**	(546,584)	**(7,178)**	(1,004)
Other operating expenses		**(22,337)**	(49,136)	**–**	(4,375)
Profit before finance cost	6	**205,163**	254,176	**119,637**	99,278
Other losses - net	7	**(3,549)**	–	**–**	–
Finance cost	9	**(13,661)**	(12,053)	**–**	–
Share of results of associated companies	17	**2,918**	5,535	**–**	–
Share of results of jointly controlled entities	18	**23,536**	13,235	**–**	–
Profit before taxation and zakat		**214,407**	260,893	**119,637**	99,278
Zakat	10	**(3,394)**	–	**–**	–
Taxation	10	**(55,401)**	(41,961)	**(1,512)**	(563)
Profit for the financial year attributable to equity holders of the Company		**155,612**	218,932	**118,125**	98,715
Other comprehensive income:					
- Foreign currency exchange differences		**4,923**	12,517	**–**	–
- Available-for-sale financial assets net fair value gains		**2,097**	–	**4,900**	–
- Transfer to profit and loss on derecognition of available-for-sale financial assets		**(2,097)**	–	**(4,900)**	–
Total profit and comprehensive income attributable to equity holders of the Company		**160,535**	231,449	**118,125**	98,715
Earnings per share (sen)					
- basic	11	**28**	40		
- diluted	11	**28**	40		

The notes on pages 169 to 270 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION
As At 31 March 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	**2,529,861**	2,624,418	**–**	–
Goodwill	14	**29,008**	29,008	**–**	–
Intangible assets	15	**877,395**	563,963	**–**	–
Subsidiary companies	16	**–**	–	**2,001,751**	1,708,651
Associated companies	17	**151,266**	152,640	**13,600**	13,600
Jointly controlled entities	18	**215,463**	202,545	**–**	–
Amounts due from subsidiary companies	19	**–**	–	**58,573**	232,946
Investments	20	**–**	–	**–**	–
Deferred tax assets	21	**16,740**	15,033	**–**	–
		3,819,733	3,587,607	**2,073,924**	1,955,197
CURRENT ASSETS					
Inventories	22	**1,207,072**	1,227,212	**–**	–
Trade and other receivables	23	**1,310,150**	920,400	**517**	749
Amounts due from subsidiary companies	19	**–**	–	**61,248**	59,978
Amounts due from jointly controlled entities	24	**10,607**	11,321	**–**	–
Tax recoverable	10	**8,769**	25,301	**313**	292
Available-for-sale financial assets	25	**4,541**	–	**–**	–
Short term investments	26	**–**	9,676	**–**	–
Dividends receivable		**–**	–	**33,850**	6,950
Deposits, bank and cash balances	27	**1,293,033**	1,652,089	**135,898**	248,376
		3,834,172	3,845,999	**231,826**	316,345
Non-current assets held for sale	28	**–**	36,931	**–**	2,100
TOTAL ASSETS		**7,653,905**	7,470,537	**2,305,750**	2,273,642
CAPITAL AND RESERVES					
Share capital	29	**549,213**	549,213	**549,213**	549,213
Reserves	30	**4,857,527**	4,783,776	**1,719,861**	1,723,894
Equity attributable to equity holders of the Company		**5,406,740**	5,332,989	**2,269,074**	2,273,107
TOTAL EQUITY		**5,406,740**	5,332,989	**2,269,074**	2,273,107

STATEMENTS OF FINANCIAL POSITION
As At 31 March 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
NON-CURRENT LIABILITIES					
Long term liabilities	31	**37,990**	88,650	**–**	–
Deferred tax liabilities	21	**8,186**	10,740	**–**	–
		46,176	99,390	**–**	–
CURRENT LIABILITIES					
Trade and other payables	32	**1,566,371**	1,630,364	**832**	535
Provisions	33	**143,519**	184,404	**–**	–
Deferred revenue	34	**11,358**	–	**–**	–
Amount due to a subsidiary company	35	**–**	–	**35,825**	–
Amounts due to associated companies	36	**61,195**	45,115	**19**	–
Amounts due to jointly controlled entities	37	**43,773**	23,940	**–**	–
Taxation		**12,868**	12,099	**–**	–
Short term borrowings	38	**361,466**	142,236	**–**	–
Derivative financial liabilities	39	**439**	–	**–**	–
		2,200,989	2,038,158	**36,676**	535
TOTAL LIABILITIES		**2,247,165**	2,137,548	**36,676**	535
TOTAL EQUITY AND LIABILITIES		**7,653,905**	7,470,537	**2,305,750**	2,273,642
Net assets per share attributable to equity holders of the Company (RM)		**9.84**	9.71		

The notes on pages 169 to 270 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2011

		Attributable to equity holders of the Company						
	Note	Share capital RM'000	Capital reserve RM'000	Asset revaluation reserve RM'000	Available-for-sale reserve RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000
Group								
At 1 April 2010, as previously reported		**549,213**	**475,617**	**2,362**	**–**	**(66,995)**	**4,372,792**	**5,332,989**
Effects of adopting FRS 139		**–**	**–**	**–**	**–**	**–**	**(4,402)**	**(4,402)**
At 1 April 2010, as restated		**549,213**	**475,617**	**2,362**	**–**	**(66,995)**	**4,368,390**	**5,328,587**
Profit for the financial year		**–**	**–**	**–**	**–**	**–**	**155,612**	**155,612**
Other comprehensive income for the financial year								
- Foreign exchange differences		**–**	**–**	**–**	**–**	**4,923**	**–**	**4,923**
- Realisation of asset revaluation reserve		**–**	**–**	**(2,362)**	**–**	**–**	**2,362**	**–**
- Available-for-sale financial assets		**–**	**–**	**–**	**2,097**	**–**	**–**	**2,097**
- Transfer to statement of comprehensive income on derecognition of available-for-sale financial assets		**–**	**–**	**–**	**(2,097)**	**–**	**–**	**(2,097)**
Total profit and comprehensive income for the financial year		**–**	**–**	**(2,362)**	**–**	**4,923**	**157,974**	**160,535**
Transactions with owners								
- Final dividend for the financial year ended 31 March 2010	12	**–**	**–**	**–**	**–**	**–**	**(82,382)**	**(82,382)**
At 31 March 2011		**549,213**	**475,617**	**–**	**–**	**(62,072)**	**4,443,982**	**5,406,740**

		Attributable to equity holders of the Company					
	Note	Share capital RM'000	Capital reserve RM'000	Asset revaluation reserve RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000
Group							
At 1 April 2009		549,213	475,617	2,362	(79,512)	4,153,860	5,101,540
Profit for the financial year		–	–	–	–	218,932	218,932
Other comprehensive income for the financial year							
- Foreign exchange differences		–	–	–	12,517	–	12,517
Total profit and comprehensive income for the financial year		–	–	–	12,517	218,932	231,449
At 31 March 2010		549,213	475,617	2,362	(66,995)	4,372,792	5,332,989

The notes on pages 169 to 270 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For The Financial Year Ended 31 March 2011 (cont'd)

	Note	Issued and fully paid ordinary shares Number of shares '000	Issued and fully paid ordinary shares Nominal value of RM1 each RM'000	Available-for-sale reserve RM'000	Distributable Retained earnings RM'000	Total RM'000
Company						
At 1 April 2010, as previously reported		**549,213**	**549,213**	**–**	**1,723,894**	**2,273,107**
Effects of adopting FRS 139		**–**	**–**	**–**	**(39,776)**	**(39,776)**
At 1 April 2010, as restated		**549,213**	**549,213**	**–**	**1,684,118**	**2,233,331**
Profit for the financial year		**–**	**–**	**–**	**118,125**	**118,125**
Other comprehensive income for the financial year						
- Available-for-sale financial assets		**–**	**–**	**4,900**	**–**	**4,900**
- Transfer to statement of comprehensive income on derecognition of available-for-sale financial assets		**–**	**–**	**(4,900)**	**–**	**(4,900)**
Total profit and comprehensive income for the financial year		**–**	**–**	**–**	**118,125**	**118,125**
Transactions with owners						
- Final dividend for the financial year ended 31 March 2010	12	**–**	**–**	**–**	**(82,382)**	**(82,382)**
At 31 March 2011		**549,213**	**549,213**	**–**	**1,719,861**	**2,269,074**
At 1 April 2009		549,213	549,213	–	1,625,179	2,174,392
Total profit and comprehensive income for the financial year		–	–	–	98,715	98,715
At 31 March 2010		549,213	549,213	–	1,723,894	2,273,107

The notes on pages 169 to 270 form part of these financial statements.

STATEMENTS OF CASH FLOW
For The Financial Year Ended 31 March 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		**155,612**	218,932	**118,125**	98,715
Adjustments for:					
Taxation		**55,401**	41,961	**1,512**	563
Zakat		**3,394**	–	**–**	–
Property, plant and equipment:					
- depreciation		**425,568**	432,612	**–**	–
- written off		**4,228**	23,806	**–**	–
- impairment		**25,087**	6,000	**–**	–
- reversal of impairment		**(18,591)**	(53,447)	**–**	–
- gain on disposal		**(2,049)**	(2,645)	**–**	–
Write down of inventories		**12,420**	80,128	**–**	–
Investments:					
- reversal of impairment		**–**	(2,100)	**–**	(2,100)
- provision for impairment		**–**	10,397	**–**	6,475
Intangible assets:					
- amortisation		**101,219**	81,688	**–**	–
- impairment		**19,492**	–	**–**	–
- written off		**2,512**	55,814	**–**	–
Interest expense		**13,661**	12,053	**–**	–
Interest income:					
- short term deposits with licensed banks		**(31,850)**	(28,546)	**(4,835)**	(3,437)
- subsidiary company		**–**	–	**(20,782)**	–
Share of results of associated companies		**(2,918)**	(5,535)	**–**	–
Share of results of jointly controlled entities		**(23,536)**	(13,235)	**–**	–
Other investments:					
- loss on disposal		**–**	19	**–**	–
- provision for diminution in value		**–**	282	**–**	–
Gain on derecognition of available-for-sale financial assets		**(2,097)**	–	**(4,900)**	–
Gain on disposal of assets held for sale		**(5,781)**	–	**–**	–
Write back of impairment for receivables		**(28,253)**	(23,534)	**–**	–
Bad debts written off		**12,834**	19,359	**–**	–
Impairment of receivables		**13,645**	27,183	**–**	–
Impairment of goodwill		**278**	–	**–**	–
Loss on unrealised foreign exchange		**1,432**	26,617	**–**	–
Cash flows from operations (carried forward)		**731,708**	907,809	**89,120**	100,216

STATEMENTS OF CASH FLOW

For The Financial Year Ended 31 March 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)					
Cash flows from operations (brought forward)		**731,708**	907,809	**89,120**	100,216
Provision for warranties		**41,200**	45,968	**–**	–
Research and development grant		**(297,747)**	(143,688)	**–**	–
Provision for retirement benefits		**5,630**	4,970	**–**	–
Amortisation of capital grant		**(11,960)**	(31,255)	**–**	–
Dividend income		**(556)**	(915)	**(97,930)**	(101,203)
		468,275	782,889	**(8,810)**	(987)
Changes in working capital:					
Inventories		**6,510**	95,382	**–**	–
Receivables					
- trade and other receivables		**(271,925)**	(58,227)	**232**	–
- associated companies and jointly controlled entities		**34,800**	(16,928)	–	(350)
Payables					
- trade and other payables		**(116,319)**	311,407	**297**	53
- provisions		**(81,852)**	(49,651)	–	–
- associated companies and jointly Ícontrolled entities		**1,340**	(170)	**19**	–
		40,829	1,064,702	**(8,262)**	(1,284)
Tax paid		**(59,732)**	(38,389)	**(1,100)**	(1,057)
Tax refund		**17,062**	126,444	**134**	–
Zakat		**(3,394)**	–	**–**	–
Interest received		**29,700**	27,282	**4,835**	2,833
Interest paid		**(11,906)**	(8,009)	**–**	–
Government grant received		**175,000**	125,000	**–**	–
Retirement benefits paid		**(12,523)**	(9,013)	**–**	–
Receipt of restricted ADF		**348**	60,777	**–**	–
Release of restricted ADF		**(16,443)**	(54,732)	**–**	–
Net cash flows generated from/ (used in) operating activities		**158,941**	1,294,062	**(4,393)**	492

STATEMENTS OF CASH FLOW
For The Financial Year Ended 31 March 2011 (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(338,824)**	(145,330)	**–**	–
Purchase of intangible assets		**(404,494)**	(269,634)	**–**	–
Proceeds from disposal of available-for-sale financial assets		**9,332**	5,336	**7,000**	–
Proceeds from disposal of property, plant and equipment		**4,760**	6,469	**–**	–
Proceeds from disposal of assets held for sale		**40,612**	–	**–**	–
Dividends received		**11,588**	12,959	**10,341**	101,203
Purchase of non-controlling interest		**(278)**	–	**–**	–
Advances to a subsidiary company		**–**	–	**(43,044)**	(62,742)
Net cash flows (used in)/generated from investing activities		**(677,304)**	(390,200)	**(25,703)**	38,461
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	12	**(82,382)**	–	**(82,382)**	–
Proceeds from borrowings		**406,631**	211,358	**–**	–
Lease and hire purchase creditors instalments paid		**(6,000)**	(4,368)	**–**	–
Repayment of borrowings		**(204,374)**	(386,739)	**–**	–
Net cash flows generated from/(used in) financing activities		**113,875**	(179,749)	**(82,382)**	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(404,488)**	724,113	**(112,478)**	38,953
EFFECTS OF EXCHANGE DIFFERENCES		**11,995**	(17,387)	**–**	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**1,606,109**	899,383	**248,376**	209,423
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**45**	**1,213,616**	1,606,109	**135,898**	248,376

The notes on pages 169 to 270 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011

1 GENERAL INFORMATION

The Company is principally involved in investment holding activities.

The principal activities of the subsidiary companies are set out in Note 16 of the financial statements. There have been no significant changes in the activities of the Group and Company during the financial year.

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

The address of the registered office and the principal place of business of the Company is:

Centre of Excellence
KM 33.8, Westbound Shah Alam Expressway
47600 Subang Jaya
Selangor Darul Ehsan
Malaysia

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 July 2011.

2 BASIS OF PREPARATION

During the financial year, the Group recorded a net profit of RM156 million (2010: RM219 million) which was lower than the previous financial year. The decrease was substantially due to higher losses from Lotus Group International Limited ('LGIL') whilst better contribution from the Proton cars business partly offset the decline. Growth in domestic sales volume, as well as introduction of models with better profit margins mainly accounted for the improved performance of Proton cars. In line with its transformation plans, LGIL incurred higher branding, marketing and restructuring costs in the rebuilding of the brand and improving production capabilities respectively.

Going concern assumption

The Directors are of the opinion that the use of the going concern assumption in the preparation of the financial statements is appropriate based on the approved Group's business plans and available financing facilities arrangements in place for the LGIL's transformation plans. This includes efforts to control cash flows and the introduction of new models as replacement for aged models and refreshers for Proton cars as well as, the new strategic business plan for LGIL during the current financial year. The Group has secured additional facilities as mentioned in Note 47 for the LGIL transformation business.

The Directors expect the Group to continue to operate as a going concern and accordingly, the assets and liabilities of the Group and Company are recorded on the basis that the Group and Company will be able to realise its assets and discharge its liabilities in the normal course of business.

2 BASIS OF PREPARATION (cont'd)

Estimates and judgements

The preparation of financial statements requires the Directors to make estimates and judgements that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements are disclosed in Note 4 to the financial statements.

Financial Reporting Standards

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and comply with the Financial Reporting Standards ('FRSs'), Malaysian Accounting Standard Board ('MASB') Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements of the Group and Company have been prepared under the historical cost convention (as modified by the revaluation of certain freehold land), unless otherwise indicated in the summary of significant accounting policies.

(a) Standards, amendments to published standards and Issues Committee ('IC') interpretations that are effective and applicable to the Group

The new accounting standards, amendments to published standards and interpretations to existing standards effective for the financial year beginning 1 April 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improvement to FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the statements of comprehensive income.

- FRS 8 "Operating Segments" replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The improvement to FRS 8 clarifies that entities that do not provide information about segment assets to the chief operating decision-maker will no longer need to report this information. Prior year comparatives must be restated.

2 BASIS OF PREPARATION (cont'd)

(a) Standards, amendments to published standards and Issues Committee ('IC') interpretations that are effective and applicable to the Group (cont'd)

- The revised FRS 101 "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  Where entities restate or reclassify comparative information, they will be required to present a restated statements of financial position as at the beginning comparative period in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

- FRS 123 "Borrowing Costs" requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The improvement to FRS 123 clarifies that the definition of borrowing costs includes interest expense calculated using the effective interest method defined in FRS 139.

- Amendments to FRS 127 "Consolidated and Separate Financial Statements" deal with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date.

- Amendments to FRS 127 removes the requirement for a parent entity to recognise dividends only to the extent that it represents distributions from profits to the investee arising after acquisition, with any excess dividends recognised as a reduction of the cost of investments.

- FRS 132 "Financial Instruments: Presentation"

  - Amendment removes the transitional provision that exempted entities from applying the component part classification for a compound instrument issued before 1 January 2003. Upon adoption of FRS 139, entities are required to classify the compound financial instruments into its liability and equity elements.

  - Amendment on classification of rights issues addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights are now classified as equity instruments instead of derivative liabilities, regardless of the currency in which the exercise price is denominated.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

2 BASIS OF PREPARATION (cont'd)

(a) Standards, amendments to published standards and Issues Committee ('IC') interpretations that are effective and applicable to the Group (cont'd)

- FRS 139 "Financial Instruments: Recognition and Measurement". This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.

- IC Interpretation 9 "Reassessment of Embedded Derivatives" requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent statement of financial position date.

- IC Interpretation 13 "Customer Loyalty Programmes" explains how entities that grant loyalty award points to its customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

  Previously, free services given to customers during campaigns and on purchase of cars are not treated as a separately identifiable component of the sale transaction.

  With the adoption of IC Interpretation 13 "Customer Loyalty Programmes", revenue attributed to the free services is measure at fair value and deferred as a liability at the date of the initial sale transaction and only recognised when the services are redeemed, have expired or no longer expected to be redeemed.

  The adoption of IC Interpretation 13 is not material to the prior year's statements of financial position, hence the impact is only reflected in the current financial year ended 31 March 2011.

- IC Interpretation 14, FRS 119: "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions" addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under FRS 119.

2 BASIS OF PREPARATION (cont'd)

(a) Standards, amendments to published standards and Issues Committee ('IC') interpretations that are effective and applicable to the Group (cont'd)

The following amendments are part of the MASB improvements project:

- FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
  - Improvement (effective from 1 January 2010) clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations.
  - Improvement (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
- FRS 107 "Statement of Cash Flows" (effective from 1 January 2010) clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 "Events After the Balance Sheet Date" (effective from 1 January 2010) reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 116 "Property, Plant and Equipment" (consequential amendment to FRS 107 "Statement of Cash Flows") (effective from 1 January 2010) requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- FRS 117 "Leases" (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.
- FRS 118 "Revenue" (effective from 1 January 2010) provides more guidance when determining whether an entity is acting as a 'principal' or as an 'agent'.
- FRS 119 "Employee benefits" (effective from 1 January 2010) clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- FRS 120 "Accounting for Government Grants" (effective from 1 January 2010) clarifies that the benefit of a below market rate government loan is accounted for in accordance with FRS 120.

2 BASIS OF PREPARATION (cont'd)

(a) Standards, amendments to published standards and Issues Committee ('IC') interpretations that are effective and applicable to the Group (cont'd)

The following amendments are part of the MASB improvements project: (cont'd)

- FRS 127 "Consolidated and Separate Financial Statements" (effective from 1 January 2010) clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.

- FRS 128 "Investments in Associates" (effective from 1 January 2010) clarifies that an investment in an associate is treated as a single asset for impairment testing purposes. Reversals of impairment are recorded as an adjustment to the carrying amount of the investment to the extent that the recoverable amount of the associate increases.

- FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures" (consequential amendments to FRS 132 "Financial instruments: Presentation" and FRS 7 "Financial instruments: Disclosure") (effective from 1 January 2010) clarify that where an investment in associate or joint venture is accounted for in accordance with FRS 139, only certain, rather than all disclosure requirements in FRS 128 or FRS 131 need to be made in addition to disclosures required by FRS 132 and FRS 7.

- FRS 134 "Interim Financial Reporting" (effective from 1 January 2010) clarifies that basic and diluted earnings per share ('EPS') must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.

- FRS 136 "Impairment of Assets" (effective from 1 January 2010) clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purpose of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use should be made.

- FRS 138 "Intangible Assets". Improvement (effective from 1 January 2010) clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense will be recognised for mail order catalogues when the entity has access to the catalogues and not when the catalogues are distributed to customers. It confirms that the unit of production method of amortisation is allowed.

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted

Effective 1 July 2010

- The revised FRS 3 "Business Combinations" continues to apply the acquisition method to business combinations, with some significant changes. That is, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statements of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- The improvement to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations" clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

- The revised FRS 127 "Consolidated and Separate Financial Statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in statements of comprehensive income.

- The amendment to FRS 138 "Intangible Assets" clarifies that a group of complementary intangible assets acquired in a business combination is recognised as a single asset if the individual asset has similar useful lives.

- IC Interpretation 17 "Distribution of Non-Cash Assets to Owners" provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted (cont'd)

Effective 1 January 2011

- Amendments to FRS 7 "Financial Instruments: Disclosure" and FRS 1 "First-time Adoption of Financial Reporting Standards" require enhanced disclosures of fair value measurements and liquidity risks.

- IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease" requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. The interpretation provides guidance for determining whether such arrangements are, or contain leases.

  The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117, "Leases" should be applied to the lease element of the arrangement.

  Based on management's assessment, certain arrangements with vendors are in substance operating leases for toolings. Hence, the amortisation costs included in the part prices purchased from vendors are essentially lease rental and should therefore be disclosed separately.

  There is no material financial impact on the adoption of this IC Interpretation 4 as the amortisation costs currently included within the purchase price of parts should be reclassified as "lease rental on toolings" within cost of sales.

- The improvement to FRS 3 "Business Combinations":

  - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

  - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted (cont'd)

Effective 1 July 2011

- IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in statement of comprehensive income.

Effective 1 January 2012

- The revised FRS 124 "Related Party Transactions" requires Malaysian state-controlled entities to disclose:
  - the name of the government that has a control, joint control or significant influence over the reporting entity and the nature of the relationship;
  - the nature and amount of any individually-significant transactions; and
  - the extent of any other collectively-significant transactions, qualitatively or quantitatively.

  The amended definition of "related party" requires additional disclosures, for example, a subsidiary is now required to disclose transactions with an associate of its parent. An entity that is controlled by an individual who is part of the key management personnel of another entity is now required to disclose transactions with the second entity.

The adoption of the above standards, amendments to the standards and interpretations did not have a significant impact on the financial performance or position of the Group and the Company, except for those as discussed below:

FRS 7: "Financial Instruments: Disclosure"

Prior to 1 April 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 instruments, including instrument on credit risk, liquidity risk and market risk, as well as 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 March 2011. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted (cont'd)

FRS 8: "Operating Segment"

FRS 8 replaces FRS 114_{2004} Segment Reporting requires a "management approach", under which segment information is presented on a similar basis as that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the "Chief Operating Decision-Maker" who makes decisions on the allocation of resources and assesses the performance of the reportable segments.

The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from major customers.

This is a disclosure standard and hence does not have any impact on the financial position and performance of the Group.

The Revised FRS 101: "Presentation of Financial Statements"

FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity only includes details of transactions with owners while, all non-owner changes in equity are presented as a single line. Additionally, the revised standard introduces statement of comprehensive income. The statement of comprehensive income recognises all items of income and expense in the profit and loss, together with all other items directly in equity either in one single statement, or in two linked statements.

Comparative information, with the exception of requirements under FRS 139, had been represented so that it is in conformity with the revised standard. This standard does not have any impact on the financial position and performance of the Group and Company. The effects on the comparative figures to the Group on the adoption of FRS 101 are shown in note 48 to the financial statements.

FRS 139: "Financial Instruments"

The new FRS 139 establishes principles for the recognition and measurement of the Group's and the Company's financial assets, financial liabilities and contracts to buy and sell non-financial items. FRS 139 also sets out the requirements for the measurement of the Group's financial instruments. The Group and the Company have adopted FRS 139 prospectively on 1 April 2010 in accordance with transitional provisions, hence comparatives are not restated.

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted (cont'd)

FRS 139: "Financial Instruments" (cont'd)

The effects arising from this adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010 are as follows:

(i) Loans and receivables

Prior to 1 April 2010, loans and receivables were stated at anticipated net realisable value. Allowances are made for doubtful debts based on specific reviews of outstanding balances at the statement of financial position date. General allowances are made to cover possible losses, which are not specifically identified. Bad debts are written off to the statements of comprehensive income during the financial period in which they are identified.

With the adoption of FRS 139, loans and receivables are initially measured at their fair values and subsequently at amortised cost using the effective interest method. Gain or loss arising from the derecognition of the loans and receivables, amortisation under the effective interest method and impairment is recognised in the statements of comprehensive income.

(ii) Fair value through profit or loss

Financial assets held for trading, including derivatives (except those designated as hedges) and those designated at fair value through profit or loss on initial recognition are the two sub-categories under this category. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting period.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are debt securities that are held for trading and are subsequently measured at fair value with the gain or loss recognised in statements of comprehensive income.

(iv) Derivative financial instruments

Prior to 1 April 2010, derivative financial instruments were not recognised in the financial statements. Gains and losses were not recognised in the financial statements on inception. Instead, they are recognised when settled, at which time they were included in the measurement of the transaction hedged.

With the adoption of FRS 139, derivative financial instruments are initially recognised at fair values on the date the derivative contract is entered into and subsequently re-measured at their fair values.

2 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and IC interpretations that are not yet effective and have not been early adopted (cont'd)

FRS 139: "Financial Instruments" (cont'd)

(v) Intercompany loans

During the current and prior years, inter-company loans are granted by the Company to subsidiary companies at below market interest rates. Prior to 1 April 2010, these loans are recorded at cost in the financial statements. With the adoption of FRS 139, these loans were assessed at fair value at inception and subsequently at amortised cost subject to impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Economic entities in the Group

(i) Subsidiary companies

Subsidiary companies are those corporations, partnerships or other entities in which the Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment of assets is set out in Note 3(u).

Prior to 1 January 2006, the Group applied both the purchase method and the merger method to account for Business Combinations in accordance with prior financial reporting standards. With effect from 1 January 2006, only the purchase method of accounting is used to account for Business Combinations in accordance with FRS 3.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the interest of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The accounting policy on goodwill is set out in Note 3(d)(i). If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised as a gain in the statements of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Economic entities in the Group (cont'd)

(i) Subsidiary companies (cont'd)

Subsidiary companies are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Uniform accounting policies for like transactions and other events in similar circumstances are used by all companies in the Group in preparing the Consolidated Financial Statements. The financial statements of all companies within the Group used in the preparation of the Consolidated Financial Statements are prepared as of the same reporting date.

Inter-company balances, inter-company transactions and unrealised gains on transactions between Group companies are eliminated in full. Unrealised losses are also eliminated in full unless the assets transferred are impaired.

Non-controlling interests represent that portion of the profit or loss and net assets of a subsidiary company attributable to equity interests that are not owned, directly or indirectly through the subsidiary companies by the parent. It is measured at the non-controlling interest share of the fair values of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the non-controlling interests' share of changes in the subsidiary companies' equity since that date.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of the subsidiary company's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary company which were previously recognised in equity, and is recognised in the statements of comprehensive income.

(ii) Transactions with non-controlling interests

Disposal of equity shares to non-controlling interests for cash consideration and at fair value resulting in gain or loss for the Group is recorded in the statements of comprehensive income. The gain or loss is the difference between the Group's share of net assets immediately before and after the disposal and a portion of goodwill is realised.

For purchase of equity shares from non-controlling interests for cash consideration and at fair value, the accretion of the Group's interest in the subsidiary company is treated as purchase of equity interest under acquisition method of accounting. The identifiable assets and liabilities acquired are adjusted to their fair values and the difference is recognised as goodwill.

For purchases or disposals from or to non-controlling interests other than for cash and not at fair value, the accretion or dilution of the Group's interests is treated as equity transactions between the subsidiary company and its shareholders. The gain or loss is recorded in the Group's reserves. The gain or loss is the difference between the Group's share of net assets immediately before and after the disposal and the purchase consideration received or paid.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Economic entities in the Group (cont'd)

(iii) Associated companies

Associated companies are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over those policies.

Investments in associated companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment of assets is set out in Note 3(u).

In the Consolidated Financial Statements, investments in associated companies are accounted for using the equity method. Under the equity method, the Group's share of its associated companies' post-acquisition results is recognised in the statements of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its cost of investment in the associated company including any other unsecured receivables, the Group discontinues its share of further losses, unless it has incurred legal or constructive obligations to make payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the assets transferred are impaired.

In applying the equity method, the Group has ensured that uniform accounting policies for like transactions and other events in similar circumstances of the associated companies are used. The equity method is applied based on the latest financial statements made up to the financial year end of the Group.

(iv) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating policy decisions relating to the entity requires unanimous consent of the parties sharing control. The Group's interests in jointly controlled entities are accounted for in the Consolidated Financial Statements by the equity method of accounting, as disclosed in Note 3(a)(iii).

Investments in jointly controlled entities are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The accounting policy on impairment of assets is set out in Note 3(u).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Economic entities in the Group (cont'd)

(iv) Jointly controlled entities (cont'd)

The statements of comprehensive income include the Group's share of results of the jointly controlled entities based on the financial statements made up to the financial year end of the Group. The cumulative post-acquisition movements are adjusted to the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the assets transferred are impaired.

In applying the equity method, the Group has ensured that uniform accounting policies of jointly controlled entities for like transactions and other events in similar circumstances are used. The equity method is applied based on the latest financial statements made up to the financial year end of the Group.

(b) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Group uses its judgement to determine the classification of its financial assets at initial recognition:

- Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are financial assets held for trading including derivatives (except those designated as hedges) and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets;

- Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables are classified as current assets, except for those with maturities which are greater than 12 months, these are classified as non-current assets;

- Available-for-sale investments: Available-for-sale investments are those non-derivative financial assets that cannot be classified as financial assets at fair value through profit or loss and loans and receivables are designated in this category. They are included in non-current assets unless the investment matures or management intends to dispose it within 12 months at the end of the reporting period; and

- Held-to-maturity financial assets: These are financial assets acquired with the intention to hold until the expiry of such instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial assets (cont'd)

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, whereas transaction costs are expensed in the statements of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and cash and cash equivalents are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statements of comprehensive income in the period in which they arise. Dividend income is included in the statements of comprehensive income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss and translation differences on non-monetary securities are recognised in other comprehensive income.

Changes in the fair value of monetary and non-monetary securities classified as "financial assets available-for-sale" category are recognised in other comprehensive income. When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statements of comprehensive income.

The fair values for quoted investments are based on observable market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions reference to other instruments that are substantially similar.

Offsetting financial assets

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial assets (cont'd)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(i) **Assets carried at amortised cost**

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as default or delinquency in interest of principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Financial assets (cont'd)

Impairment of financial assets (cont'd)

(ii) **Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in Note 2(b). In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the separate statement of other comprehensive income. Impairment losses recognised in the statement of other comprehensive income on equity instruments are not reversed through statement of other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the statement of other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are tangible items that:

I. are held for use in the production or supply of goods or services, or for administrative purposes; and

II. are expected to be used during more than one period.

(i) Cost

Property, plant and equipment are initially stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the items and bringing them to the location and condition so as to render them operational in the manner intended by the Group. The Group allocates the initial cost of an item of property, plant and equipment to its significant component parts.

A piece of freehold land held by the Group is stated at the Directors' valuation based on a 1983 independent professional valuation of the open market value of the land on an existing use basis. The surplus arising on revaluation was credited directly to capital reserves and subsequently utilised.

The Group has adopted the transitional provision of FRS 116 which allows the freehold land to be stated at the amount revalued on 5 September 1983. All other land held by the Group are stated at cost.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Property, plant and equipment (cont'd)

(ii) Depreciation

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal installments over the period of the respective leases that range from 22 to 910 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful lives. The assets' residual values, useful lives and depreciation method are reviewed annually and revised if appropriate.

The principal estimated useful lives of depreciation used are as follows:

Leasehold land	Over the period of lease term
Buildings	15-50 years
Plant and machinery	5-20 years
Office equipment, furniture, fittings and vehicles	2-10 years

Dies and jigs, which are included under plant and machinery are depreciated on a straight line basis to write off the respective assets over their useful product life cycles.

Work-in-progress is not depreciated. Upon completion, the related costs will be transferred to the respective categories of assets. Depreciation on work-inprogress commences when the assets are ready for their intended use.

(iii) Impairment

Where an indication of impairment exists, the carrying amount of the assets is assessed and written down immediately to its recoverable amount if the carrying amount exceeds the recoverable amount. The accounting policy on impairment of assets is set out in Note 3(u).

(iv) Gains or losses on disposals

Gains or losses on disposals are determined by comparing proceeds with their related carrying amounts and are included in profit/(loss) from operations.

(v) Repairs and maintenance

Repairs and maintenance are charged to the statements of comprehensive income during the period in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Intangible assets

(i) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the statements of comprehensive income as and when it arises. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination. The Group allocates goodwill to each business segment in each country in which it operates.

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

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific computer software. These costs are amortised over their estimated useful lives of 3 to 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 years.

(iii) Research and development cost

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Intangible assets (cont'd)

(iii) Research and development cost (cont'd)

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management's intention to complete the intangible asset for use or sale;

(iii) There is an ability to use or sell the intangible asset;

(iv) It can be demonstrated that the intangible asset will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

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

(e) Leases

(i) Finance Leases

Leases of property, plant and equipment and intangible assets where the Group assume substantially all the benefits and risks or ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and intangible assets, and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the statements of comprehensive income over the lease period.

Property, plant and equipment and intangible assets acquired under finance leases are included in tangible property, plant and equipment and intangible assets are depreciated in accordance with Note 3(c)(ii) and Note 3(d)(ii) above respectively.

(ii) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statements of comprehensive income on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the actual cost of materials and incidentals in bringing the inventories to their present location and condition, and is determined either on the first-in first-out basis and weighted average basis depending on the nature of inventory. Cost of vehicles for sale is determined on a specific identification basis. Cost of parts and accessories is determined on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. In arriving at net realisable value, due allowance is made for obsolete, slow moving or defective inventories.

In the case of work-in-progress and finished vehicles, an appropriate proportion of production overheads is included in the costs based on normal operating capacity and is determined on a weighted average basis.

(g) Trade and other receivables

Trade and other receivables are initially measured at their fair values and subsequently at amortised cost using the effective interest method, less provision for impairment. If the collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(h) Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when the carrying amount is to be recovered principally through a sale transaction. They are stated at the lower of carrying amount and fair value less costs to sell if the carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(i) Government grants

Government grants are recognised in the statements of comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related cost for which the grants are intended to compensate.

Grants from government are recognised at their fair values where there are reasonable assurances that the grants will be received and the Group will comply with all attached conditions.

Capital grants

Government grants relating to capital expenditure are deferred and recognised in the statements of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of plant and equipment are included in non-current liabilities as deferred income and are credited to the statements of comprehensive income on a straight line basis over the expected lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Government grants (cont'd)

Income grants

Income grants are grants other than capital grants and recognised in the statements of comprehensive income where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where a loan is granted by the Government at below market rate, the difference between the interest charged and market rate interest is accounted for as a benefit in the statements of comprehensive income.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. When the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

(i) Warranties

Provision is recognised for the estimated liability on all products under warranty in addition to claims already received and verified. Warranties are provided for a period of between one to three years for vehicles sold. The provision is based on experienced levels of claims arising during the period of warranty. When the Group expects warranties to be reimbursed from suppliers, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(ii) Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract or estimated costs of exiting the contract.

(iii) Free services

Provisions for free services are recognised based on expected levels of claims arising during the period when the free services are provided.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Employee benefits

(i) Short term employee benefits

Salaries, wages, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post employment benefits

The Group has various post employment benefit schemes in accordance with the local conditions and practices in the countries in which it operates. The Group has both defined contribution and defined benefit plans.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to the statements of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the statement of financial position date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries on the basis of full triennial valuations and updated annually. Assumptions were made in relation to the annual investment returns, annual salary increases and annual increases in pension payments.

Plan assets in excess of the defined benefit obligation are subject to the asset limitation test specified in FRS 119.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the statements of comprehensive income is determined by the corridor method in accordance with FRS 119 and is charged or credited to the statements of comprehensive income over the average remaining service lives of the related employees participating in the defined benefit plan.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Employee benefits (cont'd)

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(l) Zakat

This represents business zakat expense and is calculated based on certain percentage of the net current asset.

(m) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary company on distributions of retained earnings.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiary companies, associated companies and jointly controlled entities except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognised on temporary differences arising from:

(i) goodwill; or

(ii) from the initial recognition of an asset or liability in a transaction which is not a business combination and at time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Tax benefit from reinvestment allowance is recognised when the tax credit is utilised and no deferred tax asset is recognised when the tax credit is receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Foreign currency transactions and translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using its functional currency, which is the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

(iii) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. Net investment in foreign operations is defined as the amount of the reporting entity's interest in the net assets of that operation, which includes advances that are assessed as long term in nature. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the statements of comprehensive income as part of the gain or loss on disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Foreign currency transactions and translation (cont'd)

(iv) Closing rates

The principal closing rates (units of Malaysian Ringgit per foreign currency) used in translating significant balances at financial year end are as follows:

Foreign currency	31 March 2011	31 March 2010
US Dollar	3.0280	3.2725
Sterling Pound	4.8730	4.9415
Indonesian Rupiah (100)	0.0318	0.0358
Singapore Dollar	2.4003	2.3388
Thai Baht	0.0999	0.1012
Australian Dollar	3.1250	3.0120
Euro	4.2800	4.3940
Japanese Yen (100)	0.0364	0.0369

(o) Cash and cash equivalents

For the purpose of the statements of cash flow, cash and cash equivalents comprise cash and bank balances, deposits held at call with banks, other short term, highly liquid investments with original maturities of not more than twelve months, bank overdrafts and pledged deposits. Bank overdrafts are included within borrowings in current liabilities on the statements of financial position.

(p) Income recognition

Revenue from sales of vehicles, spare parts and accessories are recognised when significant risks and rewards have been transferred to buyers. Significant risks and benefits are generally deemed to have been transferred upon delivery or acceptance of the goods.

Free services given to customers during campaigns and on purchase of cars are treated as a separately identifiable component of the sale transaction. Revenue attributed to the free service is measured at fair value and deferred as a liability at the date of the initial sale transaction in the statements of financial position and only recognised when the service is redeemed, has expired or no longer expected to be redeemed.

Revenue from rendering of engineering services on long term engineering contracts is recognised on the basis of the stage of completion of such contracts at the financial year end, where the contractual outcome can be assessed with reasonable certainty. Full provision is made for all foreseeable losses on contracts entered into or commenced prior to the financial year end. Amounts are included within receivables and payables to recognise timing differences arising between amounts invoiced and amounts recognised in the statements of comprehensive income on individual engineering contracts.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Income recognition (cont'd)

Revenue from sale of completed apartments is recognised when the Sale and Purchase Agreements are signed, significant risks and rewards of ownership have been transferred to the buyer and the recovery of the consideration is probable.

Other revenue comprises mainly revenue from rental and royalties, which are recognised on an accrual basis. Interest income is recognised on proportionate basis that reflects the effective yield on the asset. Scrap sales and gains on disposal of investments are recognised on an accrual basis.

Sale of rights for the use of intellectual property rights are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised when the Company's right to receive payment is established.

(q) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date of a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2(b).

(r) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings.

Borrowing costs incurred on the acquisition, construction or production of property, plant and equipment that take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are expensed off in the statements of comprehensive income.

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

(t) Contingent liabilities and contingent assets

The Group and Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiary companies by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisition.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or whenever events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell of an asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at the appropriate discount rate. Assets other than goodwill that suffered impairment are reviewed for possible reversal at each reporting date.

The projected cash flows are based on the Group's estimates calculated based on historical, industry trend, general market, economic conditions and other available information. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the statements of comprehensive income. Any subsequent increase in recoverable amount is recognised in the statements of comprehensive income.

Irrespective of whether there is any indication of impairment, the Group shall test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period; it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

(v) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and monitoring the performance of the operating segments, has been identified as the Group Managing Director and the Management Committee Members.

4 KEY ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact on the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are mentioned below.

(i) Carrying value of property, plant and equipment and capitalised development cost

The Group assesses the carrying amount of property, plant and equipment and capitalised development cost whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on the cash-generating unit's operating results, approved business plans, expected market growth and industry growth, as well as future economic conditions and other data. The assumptions used, results and conclusion of the impairment assessment are stated in Note 13 to the financial statements.

(ii) Estimated useful lives of dies and jigs and capitalised development cost

The Group reviews annually the estimated useful lives of dies and jigs and capitalised development cost based on product life cycle. The product life cycle is assessed based on business plans and strategies such as, the expected product life cycle, as well as technological developments.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives used for assessing the carrying values of dies and jigs and capitalised development cost would increase the recorded depreciation and amortisation respectively.

(iii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This involves significant judgements regarding the future financial performance of the Group, the likely timing and level of future taxable profits together with future tax planning strategies to support the basis of recognition of deferred tax assets. An analysis of the deferred tax balance is set out in Note 21 to the financial statements.

The Directors have considered the ability of the Group to generate sufficient taxable income to utilise the deferred tax assets and have concluded that no deferred tax asset should be recognised for certain subsidiary companies as at 31 March 2011 (Note 21).

4 KEY ESTIMATES AND JUDGEMENTS (cont'd)

(iv) Estimation of income taxes payable and recoverable

Income taxes are estimated based on the rules governed under the Income Tax Acts of the respective countries. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the period in which such determination is made. The status of the income tax position of the Group is stated in Note 10 to the financial statements.

(v) Provisions for warranty

Provision is made for the estimated liability on all products under warranty in addition to claims already received. The accrual recorded is based on the actual claims experienced by the Group arising during the period of warranty over a number of years which provides a basis for calculating expected warranty claims. In addition, the Group records an asset for the amount expected to be recoverable from its vendors based on similar actual reimbursement experienced by the Group.

An analysis of the utilisation of the provision is stated in Note 33 to the financial statements.

(vi) Allowance for inventory write down

Allowance for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices, useful lives of vehicle models and expected cost to sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(vii) Impairment for receivables

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each financial statement reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the allowance recorded.

(viii) Impairment of goodwill

The Group tests goodwill for impairment at least annually in accordance with its accounting policy or whenever events or changes in circumstances indicate that this is necessary. The assumptions used, results and conclusion of the impairment assessment are stated in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

5 REVENUE

Revenue at the Group represents the invoiced value of goods sold and engineering services provided and is presented net of taxes, discounts and commission paid to dealers.

Revenue at the Company represents dividend income from shares held in subsidiary companies, associated companies and available-for-sale financial assets.

Revenue comprises:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Sale of vehicles, spare parts, accessories and engineering services	**8,932,032**	8,188,676	**–**	–
Gross dividend income	**–**	–	**97,930**	101,203
Others	**37,850**	38,183	**–**	–
	8,969,882	8,226,859	**97,930**	101,203

6 PROFIT BEFORE FINANCE COST

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
The following items have been (credited)/ charged in arriving at profit before finance cost:				
Gross dividends received/receivable from:				
- subsidiary companies, unquoted	**–**	–	**(93,622)**	(96,600)
- associated companies, unquoted	**–**	–	**(4,254)**	(4,603)
- available-for-sale financial assets	**(556)**	(915)	**(54)**	–
Purchase of raw materials	**5,988,219**	5,535,806	**–**	–
Property, plant and equipment:				
- depreciation	**425,568**	432,612	**–**	–
- written off	**4,228**	23,806	**–**	–
- gain on disposals	**(2,049)**	(2,645)	**–**	–
- impairment	**25,087**	6,000	**–**	–
- reversal of impairment	**(18,591)**	(53,447)	**–**	–
Investments:				
- reversal of impairment	**–**	(2,100)	**–**	(2,100)
- provision for impairment	**–**	10,397	**–**	6,475

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011 (cont'd)

6 PROFIT BEFORE FINANCE COST (cont'd)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Intangible assets:				
- amortisation	**101,219**	81,688	**–**	–
- impairment	**19,492**	–	**–**	–
- written off	**2,512**	55,814	**–**	–
Write down of inventories	**12,420**	80,128	**–**	–
Other investments:				
- loss on disposal	**–**	19	**–**	–
- provision for diminution in value	**–**	282	**–**	–
Gain on derecognition of available-for-sale financial assets	**(2,097)**	–	**(4,900)**	–
Gain on disposal of assets held for sale	**(5,781)**	–	**–**	–
Research and development expenditure	**20,673**	42,899	**–**	–
Provision for warranties	**41,200**	45,968	**–**	–
Reversal of impairment of receivables	**(28,253)**	(23,534)	**–**	–
Impairment of receivables	**13,645**	27,183	**–**	–
Bad debts written off	**12,834**	19,359	**–**	–
Impairment of goodwill	**278**	–	**–**	–
Statutory audit fees to:				
PricewaterhouseCoopers Malaysia:				
- current year	**605**	620	**88**	88
- (over)/under provision in prior year	**(34)**	(67)	**–**	27
Other member firms of PricewaterhouseCoopers International Limited:*				
- current year	**1,367**	1,502	**–**	–
- (over)/under provision in prior year	**(20)**	24	**–**	–
Audit related fees to PricewaterhouseCoopers:				
- Malaysia	**486**	486	**96**	48
Non-audit fees to PricewaterhouseCoopers:				
- Malaysia	**400**	232	**–**	–
- Other member firms of PricewaterhouseCoopers International Limited*	**1,315**	592	**–**	–
Rental:				
- plant, machinery and equipment	**1,194**	2,536	**–**	–
- land and buildings	**19,754**	12,228	**–**	–
Foreign exchange loss:				
- transactions	**3,549**	7,989	**–**	–
- translation	**1,432**	26,617	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

6 PROFIT BEFORE FINANCE COST (cont'd)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Rental income on land and buildings	**(282)**	(514)	**–**	–
Interest income:				
- short term deposits with licensed banks	**(31,850)**	(28,546)	**(4,835)**	(3,437)
- subsidiary company	**–**	–	**(20,782)**	–
Automotive Development Fund				
- amortisation of capital grant	**(11,960)**	(31,255)	**–**	–

* PricewaterhouseCoopers Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

The Government of Malaysia has set up the National Automotive Policy ('NAP') and one of the policy thrust of NAP is for the Government to provide support and incentives based on sustainable economic contribution to enhance competitiveness and capability of the automotive industry through the development of the latest and more sophisticated technology. The support will be in the form of access to the Industrial Adjustment Fund and Research and Development grant ('R&D grant'). Perusahaan Otomobil Nasional Sdn. Bhd. ('PONSB') a wholly owned subsidiary company, being a full fledged automotive manufacturer has complied with the requirements and had been allocated funds in the form of R&D grant.

As an initiative to support the Government's call for Green Technology in the automotive industry, PONSB has embarked on a Fleet Test Vehicle ('FTV') program to develop Electric and Hybrid vehicles. During the financial year, PONSB was allocated a grant amounting to RM237.5 million in support of PONSB carrying out the FTV program, of which RM222.1 million is recorded as a receivable from the Government.

During the financial year, the Government grant expenditure and income recognised is as follows:

	Group 2011 RM'000	Group 2010 RM'000
Research and development expenditure	**318,420**	186,587
Research and development grant recognised	**(297,747)**	(143,688)
	20,673	42,899

7 OTHER LOSSES - NET

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Net foreign exchange forward contract loss (Note 39)	**3,549**	–	**–**	–

8 STAFF COST

	Group 2011 RM'000	Group 2010 RM'000
Wages, salaries and bonuses	**692,475**	644,297
Pension cost		
- defined contribution plan	**53,982**	50,436
- defined benefit plan (Note 31(d))	**5,630**	4,970
Other employee benefits	**57,777**	53,293
	809,864	752,996

Directors' remuneration

The aggregate amount of emoluments received/receivable by the Directors of the Group and Company during the financial year was as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-executive Directors:				
- allowances	**636**	695	**556**	524
- fees	**501**	695	**264**	223
- estimated monetary value of benefits-in-kind	**198**	109	**198**	109
Executive Director*:				
- salaries and bonuses	**1,486**	1,384	**1,486**	1,384
- defined contribution plan	**244**	248	**244**	248
- estimated monetary value of benefits-in-kind	**171**	128	**171**	128
- fees	**–**	–	**34**	42
- allowances	**–**	–	**14**	11
	3,236	3,259	**2,967**	2,669

* The Executive Director's remuneration in the Company is fully recharged to a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

9 FINANCE COST

	Group 2011 RM'000	Group 2010 RM'000
Interest expense on:		
- Long term loans	**6,599**	5,892
- Short term borrowings	**5,822**	4,069
- Others	**1,240**	2,092
	13,661	12,053

10 TAXATION AND ZAKAT

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Taxation in Malaysia				
Current taxation:				
- charge for the financial year	**37,588**	41,197	**1,512**	607
- over accrual in respect of prior financial years	**(3,274)**	(3,144)	**–**	(44)
	34,314	38,053	**1,512**	563
Taxation outside Malaysia				
Current taxation:				
- charge for the financial year	**25,708**	14,448	**–**	–
- (over)/under accrual in respect of prior financial years	**(360)**	269	**–**	–
	25,348	14,717	**–**	–
Deferred taxation (Note 21)				
Origination and reversal of temporary differences	**(4,261)**	(1,821)	**–**	–
Tax benefits arising from previously unrecognised tax losses	**–**	(8,988)	**–**	–
	(4,261)	(10,809)	**–**	–
Tax expense	**55,401**	41,961	**1,512**	563
Zakat	**3,394**	–	**–**	–
	58,795	41,961	**1,512**	563

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

10 TAXATION AND ZAKAT (cont'd)

A numerical reconciliation between the average effective tax rate and the Group's average statutory tax rate effect is as follows:

	Group 2011 %	Group 2010 %	Company 2011 %	Company 2010 %
Group's average statutory tax rate	**24**	24	**25**	25
Tax effects of:				
- double deduction and incentive on qualifying expenditure	**(12)**	(17)	**–**	–
- expenses not deductible for tax purposes	**5**	3	**1**	1
- income not subject to tax	**(40)**	(18)	**(25)**	(25)
- tax losses not recognised as deferred tax	**13**	4	**–**	–
- current year temporary differences not recognised as deferred tax	**37**	26	**–**	–
- over accrual in respect of prior financial years	**(2)**	(1)	**–**	–
- recognition of previously unrecognised deductible temporary differences	**–**	(2)	**–**	–
- recognition of previously unrecognised tax losses	**–**	(3)	**–**	–
- withholding tax on dividend from subsidiary company received	**1**	–	**–**	–
Average effective tax rate	**26**	16	**1**	1

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Previously unrecognised temporary differences utilised during the financial year	**–**	16,181	**–**	–
Tax savings arising from temporary differences	**–**	4,045	**–**	–
Previously unrecognised tax losses utilised during the financial year	**–**	35,953	**–**	–
Tax savings arising from such tax losses	**–**	8,988	**–**	–
Unabsorbed capital allowances carried forward	**1,888,620**	1,519,542	**–**	–
Unutilised tax losses carried forward	**925,490**	735,405	**–**	–
Unutilised reinvestment allowances	**1,893,024**	2,020,379	**–**	–

The effective tax rate in the current year is higher than the Group statutory tax rate mainly due to tax suffered by certain subsidiary companies for which there is no relief available for set off.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

10 TAXATION AND ZAKAT (cont'd)

The tax recoverable amount of RM2,385,000 (2010: RM18,240,000) stated in the statement of financial position of the Group relates to settlement of tax disputes for YA 2002 (2010: YA 1999 to 2002) whilst the balance of RM6,384,000 (2010: RM7,061,000) relates to overpayment of tax liabilities.

The tax recoverable amount stated in the statement of financial position of the Company of RM313,000 (2010: RM292,000) relates to overpayment of tax liabilities.

The movement for zakat is as follows:

	Group 2011 RM'000	Group 2010 RM'000
At 1 April	–	–
Charge for the financial year	3,394	–
Zakat paid	(3,394)	–
At 31 March	–	–

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2011	Group 2010
Profit attributable to equity holders of the Company (RM'000)	155,612	218,932
Weighted average number of ordinary shares in issue ('000)	549,213	549,213
Basic earnings per share (sen)	28	40

Diluted earnings per share equals to basic earnings per share.

12 DIVIDENDS

Dividend declared and paid during the financial year is as follows:

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Final dividend of 20 sen per ordinary share less tax at 25% in respect of financial year ended 31 March 2010, paid on 22 October 2010	82,382	–

The Directors recommend the payment of a final dividend of 10 sen per ordinary share less tax at 25% on 549,213,002 ordinary shares amounting to RM41,190,975 in respect of the financial year ended 31 March 2011, subject to the approval of members at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, fittings and vehicles RM'000	Work-in-progress RM'000	Total RM'000
Group							
2011							
Cost/valuation							
At 1 April 2010	226,233	–	1,336,580	4,596,597	1,170,764	43,805	7,373,979
Currency translation differences	(155)	–	(1,741)	(2,352)	(2,691)	–	(6,939)
Additions	147	–	7,577	8,565	67,517	262,845	346,651
Disposals	–	–	(106)	(14,907)	(10,663)	–	(25,676)
Written off	–	–	(13)	(43,679)	(13,203)	(547)	(57,442)
Reclassification of completed work-in-progress	–	–	32,925	52,896	30,381	(116,202)	–
Reclassification from intangible assets (Note 15)	–	–	–	–	–	37	37
Reclassification to leasehold land	(10,916)	10,916	–	–	–	–	–
At 31 March 2011	215,309	10,916	1,375,222	4,597,120	1,242,105	189,938	7,630,610
Accumulated depreciation							
At 1 April 2010	–	–	557,019	3,078,569	833,083	–	4,468,671
Currency translation differences	–	–	(747)	(2,095)	(1,637)	–	(4,479)
Charge for the financial year	–	1,448	44,739	292,032	87,349	–	425,568
Disposals	–	–	(74)	(14,878)	(8,013)	–	(22,965)
Written off	–	–	(14)	(40,295)	(12,905)	–	(53,214)
Reclassification	–	–	10	(6,628)	6,618	–	–
Adjustment in respect of reversal of impairment loss	–	–	–	5,775	–	–	5,775
At 31 March 2011	–	1,448	600,933	3,312,480	904,495	–	4,819,356
Accumulated impairment losses							
At 1 April 2010	–	–	15,308	265,144	438	–	280,890
Currency translation differences	–	–	(177)	(34)	(7)	–	(218)
Charge for the financial year	–	–	–	25,087	–	–	25,087
Reversal of impairment loss	–	–	(15,131)	(9,218)	(17)	–	(24,366)
At 31 March 2011	–	–	–	280,979	414	–	281,393
Net book value							
At 31 March 2011	215,309	9,468	774,289	1,003,661	337,196	189,938	2,529,861

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, fittings and vehicles RM'000	Work-in-progress RM'000	Total RM'000
Group							
2010							
Cost/valuation							
At 1 April 2009	226,872	–	1,352,482	4,579,828	1,137,416	5,364	7,301,962
Currency translation differences	(639)	–	(6,952)	(10,438)	(9,546)	–	(27,575)
Additions	–	–	209	38,015	56,143	108,804	203,171
Disposals	–	–	–	(10,726)	(19,064)	–	(29,790)
Written off	–	–	(253)	(66,916)	(6,614)	–	(73,783)
Reclassification of completed work-in-progress	–	–	407	57,521	12,435	(70,363)	–
Reclassification	–	–	(9,313)	9,313	–	–	–
Reclassification to intangible assets (Note 15)	–	–	–	–	(6)	–	(6)
At 31 March 2010	226,233	–	1,336,580	4,596,597	1,170,764	43,805	7,373,979
Accumulated depreciation							
At 1 April 2009	–	–	477,676	2,793,840	735,725	–	4,007,241
Currency translation differences	–	–	(1,092)	(6,370)	(2,811)	–	(10,273)
Charge for the financial year	–	–	52,343	292,714	87,555	–	432,612
Disposals	–	–	–	(10,710)	(15,256)	–	(25,966)
Written off	–	–	(160)	(43,662)	(6,155)	–	(49,977)
Adjustment in respect of reversal of impairment loss	–	–	28,252	52,757	34,025	–	115,034
At 31 March 2010	–	–	557,019	3,078,569	833,083	–	4,468,671
Accumulated impairment losses							
At 1 April 2009	–	–	112,829	317,761	37,020	–	467,610
Currency translation differences	–	–	(15,455)	(3,757)	(5,027)	–	(24,239)
Charge for the financial year	–	–	–	6,000	–	–	6,000
Reclassification	–	–	(1,232)	(1,357)	2,589	–	–
Reversal of impairment loss	–	–	(80,834)	(53,503)	(34,144)	–	(168,481)
At 31 March 2010	–	–	15,308	265,144	438	–	280,890
Net book value							
At 31 March 2010	226,233	–	764,253	1,252,884	337,243	43,805	2,624,418

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

A piece of a subsidiary company's freehold land was revalued on 5 September 1983 based on an independent professional valuation. The surplus of RM36,882,000 arising from the revaluation was credited to the capital reserves and subsequently utilised. Had this freehold land been carried at historical cost, the net book value of freehold land that would have been included in the financial statements at the end of the financial year would be RM22,448,000 (2010: RM22,448,000).

Property, plant and equipment of a wholly owned subsidiary company with a net book value of RM223,841,000 (2010: RM169,229,000) was charged to a licensed bank as security for borrowings as disclosed in Note 31(a) to the financial statements.

The net book value of the office equipment acquired under finance lease at the statement of financial position date was RM7,011,000 (2010: RM10,416,000).

The net cash outflow for the acquisition of property, plant and equipment during the financial year is:

	Group	
	2011 RM'000	2010 RM'000
Total acquisition of property, plant and equipment	**346,651**	203,171
Less: Amount financed by hire purchase arrangements	**–**	(7,253)
Amount acquired via ADF (Note 31(c)(ii))	**–**	(50,588)
Accrual of property, plant and equipment	**(7,827)**	–
Net cash outflow on acquisition of property, plant and equipment	**338,824**	145,330

Impairment test for property, plant and equipment and capitalised development cost, included within intangible assets

(a) Malaysian operations – Proton

An impairment assessment was undertaken in the current financial year due to weaker than expected market conditions adversely affecting sales volume for certain vehicle models. For the purpose of impairment, testing, the cash-generating units were determined at the business segment level.

The carrying amount of the segment assets totalling RM2,580,255,000 (2010: RM2,575,757,000) comprising property, plant and equipment, capitalised development cost and capitalised development costs of work-in-progress included within intangible assets were tested for impairment.

The impairment test was performed by comparing the cash-generating unit carrying amount with its recoverable amount. The recoverable amount is determined as the higher of the cash-generating unit's fair value less costs to sell and its value-in-use.

Embedded in the development of the cash flow projections are assumptions and estimates derived from a review of the cash-generating unit's operating results, approved business plans, expected market and industry growth rates, as well as, future economic conditions and other data. Most of these factors used in assessing the fair values are outside the control of management, hence these assumptions and estimates may change in future periods.

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Impairment test for property, plant and equipment and capitalised development cost, included within intangible assets (cont'd)

(a) Malaysian operations – Proton (cont'd)

The review resulted in an impairment loss of RM25,087,000 (2010: RM6,000,000) allocated to property, plant and equipment in respect of a slow moving vehicle model for the current financial year ended 31 March 2011.

(i) Assumptions and approach used

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a five year period, and assuming a zero growth rate for subsequent periods. The five year projections were based on an approved business plan. The business plan reflects the cash-generating unit's expectation of capacity utilisation, revenue growth, operating costs and margins based on past experience, current assessment of market share, expectations of market growth and industry growth.

The following are the key assumptions used in the cash flow projections:

- Business analysis - The cash-generating unit makes assumptions about the demand for its vehicles in the market place. These assumptions are used to drive the planning assumptions for sales volume and mix taking into consideration the projected lifecycle of the models. The cash generating unit also makes assumptions about cost levels.

  The overall sales volume used in the projections does not indicate a significant growth from current levels due to tough competition in the passenger car market, both domestic and overseas.

- Long-term growth rate – From the sixth year and onwards, a zero growth rate is assumed.

- Terminal values of land and buildings – The estimated residual value of the land and buildings is based on the fair market values by an internal registered valuer. The market value of the land and building is determined based on the comparison method and investment method. A discount factor of 6.3% (2010: 6.8%) was used to discount the terminal values for land and buildings.

- Discount rates – In measuring the recoverable amounts based on the value-in-use calculations, discount rates of 12.7% and 20.7% (2010: 13.4% and 21.4%) have been applied to domestic and export sales respectively. The discount rate reflects the prevailing market rate applicable to the segment. A risk adjusted discount rate is used for the export market.

- Economic projections – Assumptions regarding the general economic conditions are applied in arriving at the industry sales volume. Other macro-economic assumptions, such as commodities prices, inflation rates, interest rates and foreign currency exchange rates have also been considered.

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Impairment test for property, plant and equipment and capitalised development cost, included within intangible assets (cont'd)

(a) Malaysian operations – Proton (cont'd)

(ii) Impact of possible changes in key assumptions

The sensitivity tests indicated that no further impairment loss is required where other realistic variations are applied to key assumptions.

(b) Overseas operations – Lotus

In the previous financial year, the reversal of impairment provision amounting to RM53,447,000 (being accumulated impairment of RM168,481,000 less accumulated depreciation of RM115,034,000 in Note 13), was made as the cash-generating unit implemented a business transformation plan, which includes the introduction of new models.

During the current financial year, based on valuation of the building incorporated as terminal value and taking into consideration the approved business plan of the operations, the recoverable amount of the building indicated that an impairment charge previously provided for amounting to RM18,591,000 (being impairment of RM24,366,000 less accumulated depreciation of RM5,775,000) is no longer required. Since the impairment has been reversed during the current financial year, the building is stated at the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the building in prior years.

During the financial year, the segment assets carrying amount of RM561,850,000 (2010 : RM344,588,000) comprising property, plant and equipment, capitalised development cost and capitalised development cost of work-in-progress included within intangible assets were tested for impairment, due to weaker than expected market conditions adversely affecting sales volume.

The impairment test was performed by comparing the cash-generating unit carrying amount with its recoverable amount. The recoverable amount is determined as the higher of the cash-generating unit's fair value less costs to sell and its value-in-use.

Embedded in the development of the cash flow projections are assumptions and estimates derived from a review of the cash-generating unit's operating results, approved business plans, expected market and industry growth rates, as well as, future economic conditions and other data. Most of these factors used in assessing the fair values are outside the control of management, hence these assumptions and estimates may change in future periods.

The review resulted in an impairment loss of RM19,492,000 (2010: Nil) allocated to capitalised development cost in respect of a slow moving vehicle model for the current financial year ended 31 March 2011 (Note 15).

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Impairment test for property, plant and equipment and capitalised development cost, included within intangible assets (cont'd)

(b) Overseas operations – Lotus (cont'd)

(i) Assumptions and approach used

The recoverable amounts are determined based on value-in-use calculations. The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a ten year period. The projections over these periods were based on an approved business plan and reflect the cash-generating unit's expectation of plant utilisation, revenue growth, operating costs and margins based on past experience and current assessment of market demand for premium sports cars.

The following are the key assumptions used in the cash flow projections:

- Business analysis – The cars sales volumes used in the value-in-use calculation is based on sales projections of existing models taking into consideration the projected lifecycle of the models in line with the short range and long range product plans. Included in the long range product plan are sales projections from the five new Lotus products in the transformation plans. The Engineering services sales projections are based on existing projects-in-hand and include a forecast of new work to be won with emphasis on its core competencies and key service offerings.

- Long-term growth rate – From the sixth year onwards, the assumed growth rate ranges from negative 17% to a positive 40%.

- Terminal values of land and buildings – The estimated residual value is based on a third party valuation of the land and buildings which reflects the market values on which the land and buildings are located.

- Discount rates – For purposes of the value-in-use calculation, a discount rate of 10% (2010: 10%) has been applied. This is based on the prevailing market rate applicable to the segment.

- Economic projections – In arriving at the industry sales volume, assumptions are made regarding the general economic conditions in its key markets, as well as, other macro-economic assumptions relating to the automotive industry.

(ii) Impact of possible changes in key assumptions

The sensitivity tests indicated that no further impairment loss is required where other realistic variations are applied to key assumptions.

14 GOODWILL

The carrying amount of goodwill is allocated to the cash-generating unit that the goodwill relates to, which is the selling and distribution business as presented below:

	Group 2011 RM'000	2010 RM'000
At 1 April	**35,749**	35,749
Acquisition of non-controlling interest	**278**	–
At 31 March	**36,027**	35,749
Accumulated impairment loss		
At 1 April	**(6,741)**	(6,741)
Addition during the year	**(278)**	–
At 31 March	**(7,019)**	(6,741)
Carrying amount at 31 March	**29,008**	29,008

Impairment test for goodwill

The Group undertook an annual test for impairment of goodwill.

(i) Assumptions and approach used

The recoverable amount of the cash-generating unit including goodwill in this test is determined based on the value-in-use calculation. This value-in-use calculation applies a discounted cash flow model using cash flow projections covering a five year period for the selling and distribution business of the Proton brand. The projections reflect the cash-generating unit's expectations of revenue growth, operating costs and margins based on past experience and current assessment of market share, expectations of market growth and industry growth.

The following are the key assumptions used in the cash flow projections:

- Business projections – The cash-generating unit makes assumptions about the demand for the Proton brand in the market place and are used to project the sales volume and mix.
- Business analysis – The overall sales volume used in the projections does not indicate a significant growth from current levels due to tough competition in the domestic passenger car market.
- Discount rate – For purposes of the value-in-use calculation, a discount rate of 12.7% (2010: 13.4%) has been applied. The discount rate reflects the prevailing independent market rate applicable to the cash-generating unit.
- Economic projections – Assumptions regarding the general economic conditions are considered in arriving at the estimated sales volume and prices for the vehicles.

14 GOODWILL (cont'd)

Impairment test for goodwill (cont'd)

(ii) Sensitivity impact of possible changes in key assumptions

Sensitivity analysis shows that no impairment loss is required where other realistic variations are applied to key assumptions.

15 INTANGIBLE ASSETS

	Capitalised development cost RM'000	Computer software RM'000	Capitalised development cost of work in-progress RM'000	Total RM'000
Group				
2011				
Cost				
At 1 April 2010	507,737	77,658	190,219	775,614
Currency translation differences	(2,837)	–	–	(2,837)
Additions	93,975	11,764	333,300	439,039
Written off	–	–	(2,512)	(2,512)
Reclassification of completed work-in-progress	88,548	–	(88,548)	–
Reclassification to property, plant and equipment (Note 13)	–	(37)	–	(37)
At 31 March 2011	687,423	89,385	432,459	1,209,267
Amortisation				
At 1 April 2010	123,966	66,883	–	190,849
Currency translation differences	(490)	–	–	(490)
Charge for the financial year	94,877	6,342	–	101,219
At 31 March 2011	218,353	73,225	–	291,578
Accumulated impairment loss				
At 1 April 2010	20,802	–	–	20,802
Charge for the financial year	19,492	–	–	19,492
31 March 2011	40,294	–	–	40,294
Net book value				
At 31 March 2011	428,776	16,160	432,459	877,395

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

15 INTANGIBLE ASSETS (cont'd)

	Capitalised development cost RM'000	Computer software RM'000	Capitalised development cost of work in-progress RM'000	Total RM'000
Group				
2010				
Cost				
At 1 April 2009	302,909	71,265	190,219	564,393
Currency translation differences	(7,595)	–	–	(7,595)
Additions	268,237	6,387	–	274,624
Written off	(55,814)	–	–	(55,814)
Reclassification from property, plant and equipment (Note 13)	–	6	–	6
At 31 March 2010	507,737	77,658	190,219	775,614
Amortisation				
At 1 April 2009	59,401	52,522	–	111,923
Currency translation differences	(2,762)	–	–	(2,762)
Charge for the financial year	67,327	14,361	–	81,688
At 31 March 2010	123,966	66,883	–	190,849
Accumulated impairment loss				
At 1 April 2009 / 31 March 2010	20,802	–	–	20,802
Net book value				
At 31 March 2010	362,969	10,775	190,219	563,963

The amortisation period for intangible assets ranges from 3 to 10 years (2010: 3 to 10 years).

The net cash outflow for the acquisition of intangible assets during the financial year is:

	Group 2011 RM'000	Group 2010 RM'000
Total acquisition of intangible assets	**439,039**	274,624
Less: Amount financed by hire purchase arrangements	**–**	(2,917)
Accrual of intangible assets	**(34,545)**	(2,073)
Net cash outflows on acquisition of intangible assets	**404,494**	269,634

15 INTANGIBLE ASSETS (cont'd)

The net book value of the computer software acquired under finance lease at the statements of financial position date was RM1,644,000 (2010: RM2,880,000).

Impairment test for capitalised development cost has been performed together with the related property, plant and equipment as explained in Note 13 to the financial statements.

Recoverability assessment of capitalised development cost work-in-progress

(a) Malaysian operations – Proton development costs work-in-progress

In assessing recoverability of capitalised development cost work-in-progress, the cash-generating unit assesses the recoverability based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a five year period, and assuming a zero growth rate for subsequent periods up to thirteen years. The projections over these periods were based on an approved business plan.

The following are the key assumptions used in the cash flow projections:

- Business projections – Assumptions about the demand for the vehicle in the market place are used to project the sales volume and mix used in the projections.

  The overall sales volume used in the projections does not indicate a significant growth from current levels due to tough competition in the domestic passenger car market.

- Long-term growth rate – From the sixth year and onwards, a zero growth rate is assumed.

- Discount rate – For the purpose of the value-in-use calculation, a discount rate of 12.7% has been applied. The discount rate reflects the prevailing independent market rate, applicable to the Proton brand cash-generating unit.

- Economic projections – Assumptions regarding the general economic conditions are considered in arriving at the estimated sales volume and prices for the vehicles.

15 INTANGIBLE ASSETS (cont'd)

Recoverability assessment of capitalised development cost work-in-progress (cont'd)

(b) Overseas operations – Lotus development costs work-in-progress

In assessing recoverability of capitalised development cost work-in-progress, the cash-generating unit assesses the recoverability based on value-in-use calculations.

The value-in-use calculations apply a discounted cash flow model using cash flow projections covering a ten year period. The projections over these periods were based on an approved business plan.

The following are the key assumptions used in the cash flow projections:

- Business projections – Assumptions about the demand for the vehicles in the market place are used to project the sales volume and mix used in the projections.

  The cars sales volumes used in the value-in-use calculation is based on sales projections taking into consideration the projected lifecycle of the models.

- Long-term growth rate – From the sixth year onwards, the assumed growth rate ranges from negative 17% to a positive 40%.

- Discount rate – For the purpose of the value-in-use calculations, a discount rate of 10% has been applied. This is based on the prevailing market rate applicable to the segment.

- Economic projections – Assumptions regarding the general economic conditions are considered in arriving at the estimated sales volume and prices for the vehicles.

16 SUBSIDIARY COMPANIES

	Company	
	2011	**2010**
	RM'000	**RM'000**
Unquoted shares at cost:		
At 1 April	**2,036,303**	2,036,303
Additional investment during the year (Note 19)	**293,100**	–
	2,329,403	2,036,303
Less: Impairment loss	**(327,652)**	(327,652)
At 31 March	**2,001,751**	1,708,651

During the financial year, the Company increased its investment in a subsidiary company through capitalisation of amount due from a subsidiary company of RM257,275,000 and cash of RM35,825,000 as investment in shares of the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

16 SUBSIDIARY COMPANIES (cont'd)

The details of the subsidiary companies are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Perusahaan Otomobil Nasional Sdn. Bhd.^	Manufacture, assembly and sales of motor vehicles and related products	Malaysia	**100**	100
Proton Tanjung Malim Sdn. Bhd.^	Assembly of motor vehicles and related products	Malaysia	**100**	100
Proton Marketing Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Lotus Advance Technologies Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Proton Hartanah Sdn. Bhd.	Investment holding	Malaysia	**100**	100
Subsidiary companies of Perusahaan Otomobil Nasional Sdn. Bhd.				
PT Proton Cikarang Indonesia+	Ceased operations	Indonesia	**100**	100
Proton Automobiles (China) Limited^	Dormant	British Virgin Islands	**100**	100
Subsidiary companies of Proton Marketing Sdn. Bhd.				
Proton Cars (UK) Limited*^+	Importation and distribution of motor vehicles and related products	England	**100**	100
Proton Cars Australia Pty. Limited*^+	Importation and distribution of motor vehicles and related products	Australia	**100**	100
Proton Edar Sdn. Bhd.^	Sales of motor vehicles, related spare parts and accessories	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

16 SUBSIDIARY COMPANIES (cont'd)

The details of the subsidiary companies are as follows (cont'd):

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Subsidiary companies of Proton Marketing Sdn. Bhd. (cont'd)				
Proton Motors (Thailand) Co. Limited *+	Importation and wholesale of motor vehicles and related products	Thailand	**100**	100
Proton Cars Benelux NV. SA *^+	In Members' Voluntary Liquidation	Belgium	**100**	100
Subsidiary companies of Lotus Advance Technologies Sdn. Bhd.				
Proton Engineering Research Technology Sdn. Bhd. ^	Dormant	Malaysia	**100**	100
Lotus Group International Limited *^+	Investment holding	England	**100**	100
Subsidiary company of Proton Hartanah Sdn. Bhd.				
Proton Properties Sdn. Bhd.^	Property development and management	Malaysia	**100**	100
Subsidiary company of Proton Cars Australia Pty. Limited				
Lotus Cars Australia Pty. Limited *^+	Importation and distribution of motor vehicles and related products	Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

16 SUBSIDIARY COMPANIES (cont'd)

The details of the subsidiary companies are as follows (cont'd):

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Subsidiary companies of Proton Edar Sdn. Bhd.				
Proton Singapore Pte. Limited *^+	Importation and distribution of motor vehicles and related products	Singapore	**100**	100
PT Proton Edar Indonesia *+	Importation and wholesale of motor vehicles and related products	Indonesia	**100**	95
Subsidiary company of Lotus Group International Limited				
Group Lotus Plc *^+	Investment holding	England	**100**	100
Subsidiary companies of Group Lotus Plc				
Lotus Cars Limited *^+	Manufacture of motor vehicles and engineering consultancy services	England	**100**	100
Lotus Body Engineering Limited *^+	Investment holding	England	**100**	100
Lotus Motorsports Limited *^+	Dormant	England	**100**	100
Lotus Holdings Inc. *^+	Investment holding	United States of America	**100**	100
Subsidiary companies of Lotus Cars Limited				
Lotus Engineering Limited *^+	Engineering consultancy services	England	**100**	100
Lotus Engineering Company Limited (Shanghai) *+	Engineering consultancy services	People's Republic of China	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

16 SUBSIDIARY COMPANIES (cont'd)

The details of the subsidiary companies are as follows (cont'd):

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Subsidiary company of Lotus Body Engineering Limited				
Lotus Lightweight Structures Holdings Limited *+	Investment holding	England	**100**	100
Subsidiary company of Lotus Lightweight Structures Holdings Limited				
Lotus Lightweight Structures Limited *+	Manufacture of automotive components	England	**100**	100
Subsidiary company of Lotus Engineering Limited				
Lotus Engineering (Malaysia) Sdn. Bhd.^	Engineering consultancy services	Malaysia	**100**	100
Subsidiary companies of Lotus Holdings Inc.				
Lotus Engineering Inc. *^+	Engineering consultancy services	United States of America	**100**	100
Lotus Cars USA Inc. *^+	Sales of motor vehicles and related spare parts and accessories	United States of America	**100**	100

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.

^ Consolidated by merger method of accounting prior to 1 April 2006

\+ Not audited by PricewaterhouseCoopers, Malaysia

During the financial year, the Group increased its equity interest in PT Proton Edar Indonesia from 95% to 100% through acquisition of the remaining 5% equity interest for RM278,000.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

17 ASSOCIATED COMPANIES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares at cost	**59,252**	59,252	**13,600**	13,600
Share of post-acquisition reserves	**124,892**	126,266	**–**	–
	184,144	185,518	**13,600**	13,600
Less: Impairment loss	**(32,878)**	(32,878)	**–**	–
	151,266	152,640	**13,600**	13,600

The Group's share of the assets, liabilities, revenue and expenses of the associated companies are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Non-current assets	**100,026**	107,560
Current assets	**171,907**	145,422
Current liabilities	**(115,443)**	(91,365)
Non-current liabilities	**(5,224)**	(8,977)
Net assets	**151,266**	152,640
Revenue	**226,015**	227,976
Expenses (excluding tax)	**(221,048)**	(222,019)
Profit before taxation	**4,967**	5,957
Taxation	**(2,049)**	(422)
Profit for the financial year	**2,918**	5,535
Dividends	**(4,988)**	(4,394)
	(2,070)	1,141

The details of the associated companies are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
PHN Industry Sdn. Bhd.	Manufacture and sales of stamped parts and sub-assembly of automotive metal components	Malaysia	**35**	35

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

17 ASSOCIATED COMPANIES (cont'd)

The details of the associated companies are as follows (cont'd):

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	2010 %
Marutech Elastomer Industries Sdn. Bhd.	Manufacture and production of moulded products, extruded and rubber hoses for motor vehicles, motorcycle and other related products	Malaysia	**25**	25
Exedy (Malaysia) Sdn. Bhd.	Manufacture and assembly of manual clutch and automatic transmission parts	Malaysia	**45**	45
Associated company of Perusahaan Otomobil Nasional Sdn. Bhd.				
Vina Star Motors Corporation	Import, assembly and distribution of motor vehicles	Socialist Republic of Vietnam	**25**	25
Associated company of Proton Hartanah Sdn. Bhd.				
Proton City Development Corporation Sdn. Bhd.	Property developer and project management	Malaysia	**40**	40
Associated company of Proton Cars (UK) Limited				
Proton Finance Limited	Provision of dealer and customer financing	England	**49.99**	49.99
Associated company of Proton Edar Sdn. Bhd.				
Netstar Advance Systems Sdn. Bhd.	Manufacture, assembly and sales of vehicle tracking devices	Malaysia	**40**	40

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

17 ASSOCIATED COMPANIES (cont'd)

The details of the associated companies are as follows (cont'd):

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Associated company of Proton Automobiles (China) Limited				
Goldstar Proton Automobiles Co. Limited	Dormant	People's Republic of China	**49**	49
Associated company of Lotus Advance Technologies Sdn. Bhd.				
Miyazu (Malaysia) Sdn. Bhd. *	Development, marketing and sale of products and provision of services relating to dies, moulds and jigs	Malaysia	**51**	51

* Company in which the Group owns more than 50%. However, although the Group exercises significant influence, it does not have control over its financial and operating policies.

18 JOINTLY CONTROLLED ENTITIES

	Group 2011 RM'000	Group 2010 RM'000
Unquoted shares at cost	**135,534**	135,534
Share of post-acquisition reserves	**79,929**	67,011
	215,463	202,545

18 JOINTLY CONTROLLED ENTITIES (cont'd)

The Group's share of the assets, liabilities, revenue and expenses of the jointly controlled entities is as follows:

	Group 2011 RM'000	Group 2010 RM'000
Non-current assets	**906,899**	236,858
Current assets	**259,045**	199,151
Current liabilities	**(123,021)**	(93,566)
Non-current liabilities	**(827,460)**	(139,898)
Net assets	**215,463**	202,545
Revenue	**201,698**	190,574
Expenses (excluding tax)	**(168,746)**	(170,480)
Profit before taxation	**32,952**	20,094
Taxation	**(9,416)**	(6,859)
Profit for the financial year	**23,536**	13,235
Dividend	**(6,600)**	(6,600)
	16,936	6,635

The details of the jointly controlled entities are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest 2011 %	Group's effective interest 2010 %
Jointly controlled entity of Proton Marketing Sdn. Bhd.				
Proton Parts Centre Sdn. Bhd.*	Trading in motor vehicle components, spare parts and accessories	Malaysia	**55**	55
Jointly controlled entity of Group Lotus Plc				
Lotus Finance Limited	Provision of motor vehicles financing	England	**49.9**	49.9
Jointly controlled entity of Proton Edar Sdn. Bhd.				
Proton Commerce Sdn. Bhd.	Provision of motor vehicles financing	Malaysia	**50**	50

* Company in which the Group owns more than half of the voting powers. However, as the Group only has joint control over its financial and operating policies, this investment is treated as a jointly controlled entity.

19 AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	Company 2011 RM'000	2010 RM'000
As at 1 April		
Non-current		
Advances to subsidiary companies	**232,946**	177,870
Effects of adopting FRS 139 (Note 48(a))	**(39,776)**	–
As restated at 1 April	**193,170**	177,870
Advances given during the year	**96,418**	55,076
Interest income	**20,782**	–
	310,370	232,946
Less: Recapitalisation of intercompany balances into cost of investment in a subsidiary company (Note 16)	**(251,797)**	–
As at 31 March	**58,573**	232,946
Current		
Amounts due from subsidiary companies	**61,248**	59,978
Dividend receivable	**5,478**	–
	66,726	59,978
Less: Recapitalisation of intercompany balances into cost of investment in a subsidiary company (Note 16)	**(5,478)**	–
	61,248	59,978
As at 31 March	**119,821**	292,924

Advances to subsidiary companies have maturity profile of more than 5 years.

The current amounts due from subsidiary companies are denominated in Ringgit Malaysia, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011 (cont'd)

20 INVESTMENTS

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Unquoted investments in Malaysia:				
At cost	–	13,347	–	8,575
Impairment for diminution in value	–	(11,247)	–	(6,475)
	–	2,100	–	2,100
Reclassification to non-current assets held for sale (Note 28)	–	(2,100)	–	(2,100)
	–	–	–	–

21 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group 2011 RM'000	Group 2010 RM'000
Subject to income tax:		
Deferred tax assets	**16,740**	15,033
Deferred tax liabilities	**(8,186)**	(10,740)
	8,554	4,293
Movement of deferred tax		
At start of financial year	**4,293**	(6,516)
Credited/(charged) to statement of comprehensive income (Note 10)		
- property, plant and equipment	**602**	1,720
- capitalised development cost	**(51,578)**	(968)
- allowances and provisions	**55,726**	8,136
- others	**(489)**	1,921
	4,261	10,809
At end of financial year	**8,554**	4,293

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

21 DEFERRED TAXATION (cont'd)

	Group 2011 RM'000	2010 RM'000
Deferred tax assets (before offsetting)		
- allowances and provisions	**149,936**	94,210
- others	**8**	497
	149,944	94,707
Offset of deferred tax liabilities	**(133,204)**	(79,674)
Deferred tax assets (after offsetting)	**16,740**	15,033
Deferred tax liabilities (before offsetting)		
- capitalised development cost	**(130,910)**	(79,332)
- property, plant and equipment	**(10,480)**	(11,082)
	(141,390)	(90,414)
Offset against deferred tax assets	**133,204**	79,674
Deferred tax liabilities (after offsetting)	**(8,186)**	(10,740)

The tax effects of temporary differences (which have no expiry dates) for which no deferred tax assets are recognised in the statements of financial position of certain subsidiary companies of the Group as at 31 March 2011, are as analysed below:

	Group 2011 RM'000	2010 RM'000
Temporary differences of which no deferred tax assets are recognised		
Unrecognised tax losses	**231,372**	183,851
Unabsorbed capital allowances	**472,155**	379,885
Unrecognised reinvestment allowances	**473,256**	505,095
Other temporary differences	**14,475**	18,547

As at 31 March 2011, there are no temporary differences associated with unremitted earnings of subsidiary companies, associated companies and joint controlled entities for the recognition of deferred tax liabilities (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

22 INVENTORIES

	Group 2011 RM'000	Group 2010 RM'000
Raw materials:		
- completely knocked-down packs of vehicles	**158,967**	112,449
- others	**163,936**	125,883
Parts, accessories and general stores	**66,568**	66,910
Work-in-progress	**190,786**	274,458
Finished vehicles	**564,423**	581,569
Goods-in-transit	**43,788**	47,221
Land held for sale	**10,049**	10,049
Properties for sale	**8,555**	8,673
	1,207,072	1,227,212

23 TRADE AND OTHER RECEIVABLES

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade receivables	**904,802**	621,177	**–**	–
Less: Impairment of trade receivables	**(35,218)**	(54,429)	**–**	–
	869,584	566,748	**–**	–
Other receivables	**94,708**	149,397	**517**	749
Less: Impairment of other receivables	**(30,367)**	(25,891)	**–**	–
	64,341	123,506	**517**	749
Government grant receivable	**222,091**	99,344	**–**	–
Warranty claims reimbursable by vendors	**71,241**	95,758	**–**	–
Prepayments	**67,612**	20,957	**–**	–
Deposits	**15,281**	14,087	**–**	–
	1,310,150	920,400	**517**	749

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

23 TRADE AND OTHER RECEIVABLES (cont'd)

The trade and other receivables are denominated as follows:

As at 31.3.2011	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Thai Baht RM'000	Others RM'000	Total RM'000
Group							
Functional currency							
Ringgit Malaysia	969,938	–	42,784	659	–	506	1,013,887
Pound Sterling	–	97,562	60,771	31,266	–	13,655	203,254
Thai Baht	–	–	–	–	62,907	–	62,907
Indonesian Rupiah	–	–	–	–	–	26,813	26,813
Others	–	–	–	176	–	3,113	3,289
	969,938	97,562	103,555	32,101	62,907	44,087	1,310,150
Company							
Functional currency							
Ringgit Malaysia	517	–	–	–	–	–	517

As at 31.3.2010	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Thai Baht RM'000	Others RM'000	Total RM'000
Group							
Functional currency							
Ringgit Malaysia	581,911	–	40,657	21,716	–	3,874	648,158
Pound Sterling	–	18,553	103,023	11,295	–	11,656	144,527
Thai Baht	–	–	–	–	84,700	–	84,700
Indonesian Rupiah	–	–	–	–	–	38,329	38,329
Others	–	–	–	177	–	4,509	4,686
	581,911	18,553	143,680	33,188	84,700	58,368	920,400
Company							
Functional currency							
Ringgit Malaysia	749	–	–	–	–	–	749

23 TRADE AND OTHER RECEIVABLES (cont'd)

Credit terms of trade receivables for the Group range from 14 to 180 days (2010: 14 to 180 days) and 91.4% of the Group's trade receivables have a credit term between 14 to 90 days (2010: 14 to 90 days).

Group sales are concentrated in Malaysia with one major third party customer in Malaysia making up 12.9% (2010: 17.4%) of total Group revenue.

The Group has no significant concentration of credit risk except, for an amount of RM75,226,000 (2010: RM73,520,000) due from a single customer. The Directors are of the view that the credit risk is minimal in view of the stability and historical settlement of the receivables from this customer.

Trade receivables that are neither past due nor impaired

Trade receivables amounting to RM706,216,000 for the Group were neither past due nor impaired. None of the trade receivables of the Group and of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 March 2011, the Group has trade receivables amounting to RM163,368,000 that are past due at the reporting date but not impaired. Trade receivables that are past due but not impaired relate to customers for whom there is no recent history of default. Based on past experience and no adverse information to date, the Directors of the Group are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered to be fully recoverable. The aging analysis of these trade receivables is as follows:

		2011
	Group RM'000	Company RM'000
Past due but not impaired:		
0 to 30 days past due	110,159	–
31 to 60 days past due	27,381	–
61 to 90 days past due	10,660	–
More than 90 days past due	15,168	–
	163,368	–

The maximum exposure of the Group to credit risk for each class of financial instruments is their carrying values as presented in the statement of financial position except for, amounts secured by a bank guarantee.

23 TRADE AND OTHER RECEIVABLES (cont'd)

Collaterals held by the Group as security for receivables are:

	Carrying value of receivables RM'000	Fair value of security RM'000
Land	–	11,000
Bank guarantee pledged by parts and service dealers	19,265	13,762

Land collateral held by Group as a security for the receivable is in respect of land located in a foreign country where the legal ownership rights attached are being transferred to the Group, hence full impairment has been made for the carrying value of the debts. The Group is in the process of realising the collateral through auction.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments.

The reconciliation of movement in the impairment loss is as follows:

	Group 2011 RM'000
At 1 April	80,320
Currency translation	(127)
Charge for the financial year	13,645
Recovery of impairment of trade and other receivables	(28,253)
At 31 March	65,585

24 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities arose from normal trade transactions. These amounts have credit terms ranging from 30 to 45 days (2010: 30 to 45 days).

The amounts due from jointly controlled entities are denominated as follows:

	As at 31.3.2011		
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
Functional currency			
Ringgit Malaysia	10,417	–	10,417
Pound Sterling	–	190	190
	10,417	190	10,607

24 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES (cont'd)

The amounts due from jointly controlled entities are denominated as follows (cont'd):

	As at 31.3.2010		
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
Functional currency			
Ringgit Malaysia	8,611	15	8,626
Pound Sterling	–	2,695	2,695
	8,611	2,710	11,321

Amounts due from jointly controlled entities of the Group of RM3,695,000 were neither past due nor impaired.

The ageing analysis of amount due from jointly controlled entities of the Group that is past due but not impaired is as follows:

	2011	
	Group RM'000	Company RM'000
Past due but not impaired:		
0 to 30 days past due	**2,292**	**–**
31 to 60 days past due	**1,735**	**–**
61 to 90 days past due	**1,839**	**–**
More than 90 days past due	**1,046**	**–**
	6,912	**–**

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current				
At 1 April	**–**	–	**–**	–
Effects of adopting FRS 139	**11,776**	–	**2,100**	–
At 1 April - as restated	**11,776**	–	**2,100**	–
Net fair value gain transferred to available-for-sale reserve	**2,097**	–	**4,900**	–
Disposals during the year (net)	**(9,332)**	–	**(7,000)**	–
	4,541	–	**–**	–

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Available-for-sale financial assets include the following:				
Debt securities in Malaysia				
- Quoted	584	–	–	–
- Unquoted	3,957	–	–	–
	4,541	–	–	–

The available-for-sale financial assets at the financial year end are denominated in Ringgit Malaysia.

The fair values of the quoted debt securities are determined based on the quoted market bid prices available on the relevant stock exchanges. The fair values of the unquoted debt securities are determined based on the prices traded over the counter.

26 CURRENT INVESTMENTS

	Group 2011 RM'000	Group 2010 RM'000
Lower of cost and market value:		
Commercial papers and corporate debt		
- quoted investments in Malaysia	–	584
- unquoted investments in Malaysia	–	10,458
	–	11,042
Allowance for diminution in value	–	(1,366)
	–	9,676
Market value of investments:		
Quoted - commercial papers and corporate debt	–	654
Unquoted - commercial papers and corporate debt	–	9,022

Prior to 1 April 2010, the Group classified its equity investments as current investments which were carried at cost less allowance for diminution in value. With the adoption of FRS 139, these investments are now classified as available-for-sale financial assets.

27 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term funds deposited with licensed banks	**956,437**	1,385,703	**134,586**	248,119
Bank and cash balances	**336,596**	266,386	**1,312**	257
	1,293,033	1,652,089	**135,898**	248,376

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
The maturity profile of short term funds is as follows:				
0 - 1 month	**789,647**	845,272	**9,000**	83,088
2 - 3 months	**83,457**	388,206	**43,406**	106,102
4 - 6 months	**83,333**	68,052	**82,180**	10,252
6 - 12 months	**–**	59,173	**–**	48,677
More than 1 year	**–**	25,000	**–**	–
	956,437	1,385,703	**134,586**	248,119

Bank balances are deposits held at call with banks.

The deposits, bank and cash balances are denominated as follows:

	As at 31.3.2011						
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Australian Dollar RM'000	Thai Baht RM'000	Others RM'000	Total RM'000
Group							
Functional currency							
Ringgit Malaysia	**1,006,525**	**6,588**	**48,153**	**36,196**	**–**	**10,163**	**1,107,625**
Pound Sterling	**–**	**22,099**	**2,360**	**–**	**–**	**2,323**	**26,782**
Australian Dollar	**–**	**–**	**–**	**13,518**	**–**	**–**	**13,518**
Thai Baht	**–**	**–**	**–**	**–**	**93,609**	**–**	**93,609**
Others	**–**	**–**	**30,701**	**–**	**–**	**20,798**	**51,499**
	1,006,525	**28,687**	**81,214**	**49,714**	**93,609**	**33,284**	**1,293,033**

27 DEPOSITS, BANK AND CASH BALANCES (cont'd)

The deposits, bank and cash balances are denominated as follows (cont'd):

							As at 31.3.2010
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Australian Dollar RM'000	Thai Baht RM'000	Others RM'000	Total RM'000
Group							
Functional currency							
Ringgit Malaysia	1,440,330	10,015	50,662	33,014	–	9,727	1,543,748
Pound Sterling	–	14,194	27,254	–	–	12,053	53,501
Australian Dollar	–	–	–	21,629	–	–	21,629
Thai Baht	–	–	–	–	11,703	–	11,703
Others	–	–	72	–	–	21,436	21,508
	1,440,330	24,209	77,988	54,643	11,703	43,216	1,652,089

Deposits, bank and cash balances of the Company as at 31 March 2011 and 31 March 2010 are denominated in Ringgit Malaysia.

The weighted average effective interest rates of deposits at the statement of financial position date were 2.84% (2010: 2.34%) per annum for the Group and 2.24% (2010: 1.90%) per annum for the Company.

The Group has unutilised banking facilities amounting to RM771.5 million (2010: RM777.3 million) as at 31 March 2011.

28 NON-CURRENT ASSETS HELD FOR SALE

		Group		Company
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
As at 1 April – as previously reported	**36,931**	–	**2,100**	–
Effects of adopting FRS 139	**(2,100)**	–	**(2,100)**	–
As at 1 April – as restated	**34,831**	–	**–**	–
Non-current assets classified as held for sale:				
- property, plant and equipment (Note 13)	**–**	11,599	**–**	–
- prepaid land lease payments	**–**	23,232	**–**	–
- investments (Note 20)	**–**	2,100	**–**	2,100
	–	36,931	**–**	2,100
Disposals	**(34,831)**	–	**–**	–
At 31 March	**–**	36,931	**–**	2,100

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

29 SHARE CAPITAL

	Group and Company 2011 RM'000	2010 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At start/end of financial year	**1,000,000**	1,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At start/end of financial year	**549,213**	549,213

30 RESERVES

(a) Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 tax credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 tax credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 tax credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 March 2011, the Company has sufficient Section 108 tax credits to frank approximately RM1,294.6 million (2010: RM1,377.0 million) of its retained earnings if paid out as dividends.

In addition, the Company has tax exempt income as at 31 March 2011 amounting to approximately RM393.2 million (2010: RM331.1 million) available for distribution of tax exempt dividends to its shareholders.

(b) Capital reserve

The capital reserve arose as a result of a Group reorganisation exercise whereby all existing shareholders of PONSB exchanged all their ordinary shares of RM1.00 each comprising 549,213,000 ordinary shares in PONSB for 549,213,000 new ordinary shares of RM1.00 each in the Company in a one-for-one share exchange on 5 April 2004. Following the share for share exchange, the Company has no share premium. Accordingly, the amount of share premium previously recognised on consolidation has been re-designated as capital reserve.

(c) Asset revaluation reserve

Asset revaluation reserve arose as a result of a fair value adjustment of the 51% equity interest previously held in PT Proton Cikarang Indonesia as a jointly controlled entity upon the acquisition of the remaining 49% equity interest on 10 August 2007.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

31 LONG TERM LIABILITIES

		Group
	2011 RM'000	2010 RM'000
Secured:		
Long term loans (Note 31(a))	**29,238**	49,415
Portion repayable within twelve months (Note 38)	**(19,492)**	(19,766)
	9,746	29,649
Lease and hire purchase creditors (Note 31(b))	**2,544**	9,111
Less: Portion repayable within twelve months (Note 32)	**(1,646)**	(6,546)
	898	2,565
Automotive Development Fund (Note 31(c))	**15,368**	37,288
Employee retirement benefits (Note 31(d))	**11,978**	19,148
	37,990	88,650

The long term liabilities are denominated as follows:

			As at 31.3.2011
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
Functional currency			
Ringgit Malaysia	**15,690**	**–**	**15,690**
Pound Sterling	**–**	**22,300**	**22,300**
	15,690	**22,300**	**37,990**

			As at 31.3.2010
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
Functional currency			
Ringgit Malaysia	38,327	–	38,327
Pound Sterling	–	50,323	50,323
	38,327	50,323	88,650

31 LONG TERM LIABILITIES (cont'd)

(a) Long term loan - secured

	Group 2011 RM'000	2010 RM'000
The long term loan is repayable as follows:		
Within one year	**19,492**	19,766
Between one and two years	**9,746**	19,766
More than two years	**–**	9,883
	29,238	49,415

The long term loan is secured over a subsidiary company's fixed and floating assets as disclosed in Note 13 and bears interest rate of 3.5% (2010: 3.5% - 4.5%) per annum.

(b) Lease and hire purchase creditors - secured

The lease and hire purchase arrangements obtained by subsidiary companies are secured against the related assets of the respective subsidiary companies.

	Group 2011 RM'000	2010 RM'000
The lease and hire purchase creditors are repayable as follows:		
Within one year	**1,883**	7,075
Between one and two years	**918**	1,814
Between two and five years	**–**	927
	2,801	9,816
Less: Future finance charges	**(257)**	(705)
	2,544	9,111
Current (Note 32)	**1,646**	6,546
Non-current	**898**	2,565
	2,544	9,111

The lease and hire purchase creditors bear an interest rate of 7.5% (2010: 7.5%) per annum.

31 LONG TERM LIABILITIES (cont'd)

(c) Automotive Development Fund

The Government of Malaysia approved the setting up of an Automotive Development Fund ('ADF') under the Ninth Malaysia Plan with the objective of modernising and automating the manufacturing processes, improving efficiency, productivity, quality and the application of automation for the Malaysian automotive industry.

As at 31 March 2011, the Government of Malaysia had disbursed a total of RM110 million to the Group to be utilised for payments to external parties for the purpose of developing and promoting a competitive and viable domestic automotive sector as a mean to achieve the objective of the ADF.

	Group 2011 RM'000	Group 2010 RM'000
The ADF comprises:		
(i) ADF liabilities	**4,417**	20,512
(ii) Capital grant	**16,776**	28,736
	21,193	49,248
Less: Current portion of capital grant	**(5,825)**	(11,960)
Non-current	**15,368**	37,288
(i) **ADF liabilities**		
At 1 April	**20,512**	14,467
Add: Additional ADF grant received during the financial year	**–**	60,000
Interest	**348**	777
	20,860	75,244
Less: Utilised during the financial year	**(16,443)**	(54,732)
At 31 March (Note 45)	**4,417**	20,512
(ii) **Capital grant**		
At 1 April	**28,736**	9,403
Add: Received during the financial year (Note 13)	**–**	50,588
Less: Amortisation	**(11,960)**	(31,255)
At 31 March	**16,776**	28,736
Current	**5,825**	11,960
Non-current	**10,951**	16,776
	16,776	28,736

The current portion of the capital grant is presented within other payables (Note 32).

31 LONG TERM LIABILITIES (cont'd)

(c) Automotive Development Fund (cont'd)

	Group 2011 RM'000
The ADF will be disbursed as follows:	
Within one year	–
Between one and two years	4,417
	4,417

(d) Employee retirement benefits

The employee retirement benefits represent the scheme operated by a subsidiary company.

(i) Defined contribution plan

The Group pays contributions to publicly or privately administered pension plans on either a mandatory, contractual or voluntary basis depending on the nature of the defined contribution plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(ii) Defined benefit plan

Lotus Group Scheme - defined benefit scheme

Lotus Group International Limited and its subsidiary companies ('Lotus Group'), operate a defined benefit scheme, the Lotus Pension Plan. The assets are held in separate trustee administered funds. In addition, it provides life assurance cover for all employees.

Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives with the Lotus Group.

The contributions are determined by a qualified actuary. An actuarial valuation of the plan was carried out for the financial year ended 31 March 2011.

31 LONG TERM LIABILITIES (cont'd)

(d) Employee retirement benefits (cont'd)

(ii) Defined benefit plan (cont'd)

Lotus Group Scheme - defined benefit scheme (cont'd)

The movements during the financial year in the statement of financial position are as follows:

	Group 2011 RM'000	Group 2010 RM'000
At 1 April	**19,148**	25,068
Currency translation differences	**(277)**	(1,877)
Charged to statement of comprehensive income (Note 8)	**5,630**	4,970
Contributions paid	**(12,523)**	(9,013)
At 31 March	**11,978**	19,148

The amounts recognised in the statement of financial position are analysed as follows:

	Group 2011 RM'000	Group 2010 RM'000
Present value of obligation	**336,164**	358,343
Fair value of plan assets	**(343,425)**	(313,138)
(Excess)/shortfall of funded plan	**(7,261)**	45,205
Unrecognised actuarial gain/(loss)	**19,239**	(26,057)
Liability on statement of financial position	**11,978**	19,148

The movements in the defined benefit obligation during the financial year are as follows:

	Group 2011 RM'000	Group 2010 RM'000
At 1 April	**358,343**	234,156
Currency translation differences	**(4,954)**	(15,603)
Interest cost	**19,741**	17,022
Current service cost	**6,856**	2,952
Employee contributions	**3,791**	3,662
Benefits paid	**(13,800)**	(8,410)
Actuarial (gain)/loss on obligation	**(33,813)**	8,331
Effect of changes in assumptions	**–**	116,233
At 31 March	**336,164**	358,343

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

31 LONG TERM LIABILITIES (cont'd)

(d) Employee retirement benefits (cont'd)

(ii) Defined benefit plan (cont'd)

Lotus Group Scheme - defined benefit scheme (cont'd)

The movements in the fair value of plan assets during the financial year are as follows:

	Group 2011 RM'000	2010 RM'000
At 1 April	**313,138**	224,494
Currency translation differences	**(4,406)**	(23,534)
Expected return on plan assets	**20,967**	15,004
Employer contributions	**12,524**	9,013
Employee contributions	**3,791**	3,662
Benefits paid	**(13,800)**	(8,410)
Actuarial gain on plan assets	**11,211**	92,909
At 31 March	**343,425**	313,138

The mortality assumptions used are as follows:

	Group 2011 Age	2010 Age
Longevity at age 65 for current pensioners:		
- Male	**85.9**	85.9
- Female	**88.4**	88.3
Longevity at age 65 for future pensioners:		
- Male	**87.1**	87.0
- Female	**89.4**	89.3

The expenses recognised in the statement of comprehensive income are analysed as follows:

	Group 2011 RM'000	2010 RM'000
Current service cost	**6,856**	2,952
Interest cost	**19,741**	17,022
Expected return on plan assets	**(20,967)**	(15,004)
Total, included in staff costs within administrative expenses (Note 8)	**5,630**	4,970
Actual return on plan assets	**32,178**	107,913

31 LONG TERM LIABILITIES (cont'd)

(d) Employee retirement benefits (cont'd)

(ii) Defined benefit plan (cont'd)

Lotus Group Scheme - defined benefit scheme (cont'd)

The principal actuarial assumptions used in respect of the Group's defined benefit plan are as follows:

	Group 2011 %	2010 %
Discount rates	**5.60**	5.60
Expected return on plan assets:		
- equity	**7.15**	7.25
- bonds	**4.40**	4.50
- others	**4.40**	4.50
Expected rate of salary increase	**4.60**	4.70
Expected rate of pension payment increase	**2.85**	3.50
Inflation	**3.60**	3.70

The expected return on the average value of the assets over the period is calculated using the long-term average rate of return expected over the remaining term of the Lotus Pension Plan's liabilities.

32 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	**857,549**	853,843	**–**	–
Other payables	**106,770**	68,944	**832**	535
Accruals	**559,787**	611,292	**–**	–
Payments received in advance for engineering contracts	**34,794**	77,779	**–**	–
Lease and hire purchase creditors - current portion (Note 31(b))	**1,646**	6,546	**–**	–
Deferred income	**5,825**	11,960	**–**	–
	1,566,371	1,630,364	**832**	535

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

32 TRADE AND OTHER PAYABLES (cont'd)

The trade and other payables are denominated as follows:

							As at 31.3.2011	
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Thai Baht RM'000	Yen RM'000	Others RM'000	Total RM'000
Group **Functional currency**								
Ringgit Malaysia	1,111,816	1,498	18,586	17,630	–	65,696	2,837	1,218,063
Pound Sterling	–	228,934	24,855	34,208	–	22,477	2,697	313,171
Thai Baht	–	–	–	–	20,137	–	–	20,137
Others	–	–	–	180	–	–	14,820	15,000
	1,111,816	230,432	43,441	52,018	20,137	88,173	20,354	1,566,371
Company **Functional currency**								
Ringgit Malaysia	832	–	–	–	–	–	–	832

							As at 31.3.2010	
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Thai Baht RM'000	Yen RM'000	Others RM'000	Total RM'000
Group **Functional currency**								
Ringgit Malaysia	1,240,224	3,930	86,997	29,743	–	36,768	3,125	1,400,787
Pound Sterling	–	147,164	10,372	20,142	–	20,705	2,629	201,012
Thai Baht	–	–	–	–	10,337	–	–	10,337
Others	–	–	–	184	–	–	18,044	18,228
	1,240,224	151,094	97,369	50,069	10,337	57,473	23,798	1,630,364
Company **Functional currency**								
Ringgit Malaysia	535	–	–	–	–	–	–	535

Terms of trade payables granted to the Group and Company vary up to 60 days (2010: up to 60 days) credit.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

33 PROVISIONS

	Provision for warranty RM'000	Onerous contract RM'000	Group Total RM'000
2011			
At 1 April	**174,344**	**10,060**	**184,404**
Currency translation differences	**(233)**	**–**	**(233)**
Charge to statement of comprehensive income (Note 6)	**41,200**	**–**	**41,200**
Warranties reimbursable	**15,526**	**–**	**15,526**
Provision for the financial year	**56,726**	**–**	**56,726**
Utilised during the financial year	**(87,318)**	**(10,060)**	**(97,378)**
At 31 March	**143,519**	**–**	**143,519**
2010			
At 1 April	167,640	22,139	189,779
Currency translation differences	(1,769)	–	(1,769)
Charge to statement of comprehensive income (Note 6)	45,968	–	45,968
Warranties reimbursable	24,320	–	24,320
Provision for the financial year	70,288	–	70,288
Utilised during the financial year	(61,815)	(12,079)	(73,894)
At 31 March	174,344	10,060	184,404

34 DEFERRED REVENUE

	Group 2011 RM'000	Group 2010 RM'000
At 1 April	**–**	–
Additions	**26,482**	–
Credited to statement of comprehensive income	**(15,124)**	–
At 31 March	**11,358**	–

Deferred revenue represents free services given to customers during campaigns and on purchase of cars that have not expired and still redeemable as the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

35 AMOUNT DUE TO A SUBSIDIARY COMPANY

Amount due to a subsidiary company is denominated in Ringgit Malaysia, and relates to an outstanding amount for share capital subscription by the Company during the year.

36 AMOUNTS DUE TO ASSOCIATED COMPANIES

Amounts due to associated companies are denominated in Ringgit Malaysia, unsecured, interest free and payable within 30 to 60 days (2010: 30 to 60 days).

37 AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

Amounts due to jointly controlled entities arose from normal trade transactions and are due between 30 to 60 days (2010: 30 to 60 days).

The amounts due to jointly controlled entities are denominated as follows:

	As at 31.3.2011				
	Ringgit Malaysia RM'000	US Dollar RM'000	Pound Sterling RM'000	Singapore Dollar RM'000	Total RM'000
Group					
Functional currency					
Ringgit Malaysia	42,469	–	–	–	42,469
Pound Sterling	–	–	210	–	210
Australian Dollar	–	182	–	–	182
Indonesian Rupiah	–	826	–	–	826
Singapore Dollar	–	–	–	86	86
	42,469	1,008	210	86	43,773

	As at 31.3.2010			
	Ringgit Malaysia RM'000	US Dollar RM'000	Pound Sterling RM'000	Total RM'000
Group				
Functional currency				
Ringgit Malaysia	22,934	–	–	22,934
Pound Sterling	–	–	323	323
Australian Dollar	–	127	–	127
Indonesian Rupiah	–	556	–	556
	22,934	683	323	23,940

38 SHORT TERM BORROWINGS

	Effective interest rate during the financial year 2011 % per annum	2010 % per annum	Group 2011 RM'000	2010 RM'000
Unsecured:				
Bridging loan	**3.50 – 6.00**	5.00 – 6.00	**225,200**	32,724
Bankers' acceptance / Bills of exchange	**3.28**	3.50	**54,382**	2,690
Revolving credit	**2.87**	2.84	**6,091**	25,696
			285,673	61,110
Secured:				
Long term loan				
- current portion (Note 31(a))	**3.50**	3.50 – 4.50	**19,492**	19,766
Revolving credit	**1.80 – 4.50**	1.80 – 4.50	**56,301**	61,360
			75,793	81,126
			361,466	142,236

The revolving credit is secured over a subsidiary company's fixed and floating assets.

The short term borrowings are denominated as follows:

			As at 31.3.2011	
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Total RM'000
Group				
Functional currency				
Ringgit Malaysia	**54,382**	**–**	**–**	**54,382**
Pound Sterling	**–**	**269,234**	**37,850**	**307,084**
	54,382	**269,234**	**37,850**	**361,466**

			As at 31.3.2010	
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Total RM'000
Group				
Functional currency				
Ringgit Malaysia	2,690	–	–	2,690
Pound Sterling	–	94,876	44,670	139,546
	2,690	94,876	44,670	142,236

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

39 DERIVATIVE FINANCIAL LIABILITIES

	Group 2011 RM'000
At 1 April	–
Disposals during the year (net)	(3,110)
Loss taken to statement of comprehensive income (Note 7)	3,549
At 31 March	439

	Group 2011		
	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
Foreign currency forward contracts	88,500	–	439

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. None of the derivatives are designated as hedges as the Group does not apply hedge accounting during the year.

40 SEGMENTAL INFORMATION

Management has determined the operating segments based on reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified to be the Group Managing Director and Management Committee Members.

The chief operating decision-maker considers the business from both products and geographic perspective and has the following reportable segments:

- Proton – Manufacturing
  – Selling & distribution
- Lotus – Manufacturing & distribution

As for the other immaterial business segments including investments, they are aggregated and disclosed under "Others" as they are not significant to be reported separately.

Segment revenue, results, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment.

40 SEGMENTAL INFORMATION (cont'd)

Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single segment.

Geographically, the management considers the total Group performance in Malaysia and Other countries separately and is determined based on sales to external customers at their respective locations.

Inter-segment sales comprise sales of motor vehicles, parts and engineering services to Group companies in different business segments. All inter-segments sales are conducted on an arm's length basis.

The segment analysis of the Group is as follows:

	Manufacturing RM'million	Proton Selling & distribution RM'million	Lotus Manufacturing & distribution RM'million	Others RM'million	Total RM'million
2011					
Revenue					
Total revenue	7,199.1	7,871.5	727.0	0.2	15,797.8
Inter-segment sales	(6,760.8)	(0.1)	(67.0)	–	(6,827.9)
External sales	438.3	7,871.4	660.0	0.2	8,969.9
Results					
Segment operating profit/(loss) before research and development expenditure	166.5	191.1	(189.5)	15.6	183.7
Segment operating profit/(loss)	150.8	191.1	(194.5)	15.6	163.0
Unallocated income	–	–	–	–	6.7
Interest expense	(2.0)	(1.2)	(10.5)	–	(13.7)
Interest income	20.1	7.3	0.8	3.7	31.9
Share of net results of associated companies and jointly controlled entities					26.5
Profit before taxation					214.4
Taxation and zakat					(58.8)
Profit after taxation					155.6

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011 (cont'd)

40 SEGMENTAL INFORMATION (cont'd)

The segment analysis of the Group is as follows (cont'd):

	Manufacturing RM'million	Proton Selling & distribution RM'million	Lotus Manufacturing & distribution RM'million	Others RM'million	Total RM'million
2011					
Other information					
Segment assets	4,242.5	1,791.6	1,003.2	207.5	7,244.8
Unallocated assets	16.6	224.8	3.6	164.1	409.1
Total assets					7,653.9
Segment liabilities	1,098.5	381.5	347.1	1.9	1,829.0
Unallocated liabilities	72.6	21.6	323.9	0.1	418.2
Total liabilities					2,247.2
Capital expenditure	467.1	36.0	281.4	1.2	785.7
Research and development grant	(297.7)	–	–	–	(297.7)
Reversal of impairment of receivables	(13.9)	(12.2)	(2.1)	(0.1)	(28.3)
Impairment of receivables	8.2	3.4	2.0	–	13.6
Write down of inventories	10.2	2.2	–	–	12.4
Property, plant and equipment:					
- reversal of impairment	–	–	(18.6)	–	(18.6)
- impairment	25.1	–	–	–	25.1
- depreciation	370.9	25.0	29.3	0.4	425.6
- written off	4.2	–	–	–	4.2
Intangible assets:					
- impairment	–	–	19.5	–	19.5
- amortisation	59.3	0.5	41.4	–	101.2
- written off	2.5	–	–	–	2.5

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

40 SEGMENTAL INFORMATION (cont'd)

The segment analysis of the Group is as follows (cont'd):

	Manufacturing RM'million	Proton Selling & distribution RM'million	Lotus Manufacturing & distribution RM'million	Others RM'million	Total RM'million
2010					
Revenue					
Total revenue	6,392.1	7,109.2	767.1	4.2	14,272.6
Inter-segment sales	(6,000.5)	–	(45.2)	–	(6,045.7)
External sales	391.6	7,109.2	721.9	4.2	8,226.9
Results					
Segment operating profit/(loss) before research and development expenditure	75.2	197.8	29.7	(1.1)	301.6
Segment operating profit/(loss)	23.0	197.8	13.3	(1.1)	233.0
Unallocated expense	–	–	–	–	(7.3)
Interest expense	(1.9)	(2.3)	(7.9)	–	(12.1)
Interest income	15.4	8.3	1.2	3.6	28.5
Share of net results of associated companies and jointly controlled entities					18.8
Profit before taxation					260.9
Taxation and zakat					(42.0)
Profit after taxation					218.9

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

40 SEGMENTAL INFORMATION (cont'd)

The segment analysis of the Group is as follows (cont'd):

	Manufacturing RM'million	Proton Selling & distribution RM'million	Lotus Manufacturing & distribution RM'million	Others RM'million	Total RM'million
2010					
Other information					
Segment assets	4,354.5	1,693.8	674.5	328.6	7,051.4
Unallocated assets	41.0	221.4	2.8	153.9	419.1
Total assets					7,470.5
Segment liabilities	1,263.5	364.0	244.4	25.2	1,897.1
Unallocated liabilities	20.9	54.0	163.6	1.9	240.4
Total liabilities					2,137.5
Capital expenditure	340.1	25.0	112.7	–	477.8
Research and development grant	(143.7)	–	–	–	(143.7)
Reversal of impairment of receivables	(16.5)	(0.5)	(6.4)	(0.1)	(23.5)
Impairment of receivables	14.0	13.2	–	–	27.2
Write down of inventories	80.1	–	–	–	80.1
Provision for impairment in value of investments	10.4	–	–	–	10.4
Property, plant and Equipment:					
- impairment	6.0	–	–	–	6.0
- depreciation	376.8	27.8	28.0	–	432.6
- reversal of impairment	–	–	(53.4)	–	(53.4)
- written off	23.4	–	–	0.4	23.8
Intangible assets:					
- amortisation	55.0	6.8	19.9	–	81.7
- written off	44.3	–	11.5	–	55.8

40 SEGMENTAL INFORMATION (cont'd)

Unallocated income includes dividend from available-for-sale financial assets, gain/(loss) on disposal of financial assets through profit or loss and write down/(write back) of impairment of available-for-sale financial assets.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and exclude investments in associated companies, jointly controlled entities, available-for-sale financial assets, goodwill and taxation. Segment liabilities comprise operating liabilities and exclude items such as taxation, borrowings and employee retirement benefits.

Capital expenditure mainly comprises additions to property, plant and equipment and intangible assets (Notes 13 and 15 to the financial statements).

Geographical locations

Revenue and asset information based on the geographical locations of customers and assets respectively are as follows:

	Malaysia		Other countries		Total	
	2011 RM'million	2010 RM'million	2011 RM'million	2010 RM'million	2011 RM'million	2010 RM'million
Revenue						
Total revenue	**7,236.9**	6,965.2	**1,968.1**	1,569.3	**9,205.0**	8,534.5
Inter-segment sales	**(168.0)**	(261.6)	**(67.1)**	(46.0)	**(235.1)**	(307.6)
External sales	**7,068.9**	6,703.6	**1,901.0**	1,523.3	**8,969.9**	8,226.9
Other information						
Segment assets	**6,287.5**	6,446.3	**1,366.4**	1,024.2	**7,653.9**	7,470.5

41 CAPITAL AND OTHER COMMITMENTS

	Group 2011 RM'000	2010 RM'000
Capital commitments		
Capital expenditure for property, plant and equipment and intangible assets approved by the Board but not provided for in the financial statements:		
Contracted for	**410,199**	345,546
Not contracted for	**1,584,027**	2,883,331

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011 (cont'd)

42 NON-CANCELLABLE OPERATING LEASES

As at 31 March 2011, the Group was committed to making the following payments in respect of non-cancellable operating leases expiring:

				Group
	Land and buildings RM'000	Plant and machinery RM'000	Office equipment and vehicles RM'000	Total RM'000
2011				
Within one year	**22,440**	**852**	**2,503**	**25,795**
Between one and five years	**21,658**	**435**	**2,366**	**24,459**
After five years	**22,141**	**234**	**642**	**23,017**
	66,239	**1,521**	**5,511**	**73,271**

				Group
	Land and buildings RM'000	Plant and machinery RM'000	Office equipment and vehicles RM'000	Total RM'000
2010				
Within one year	23,302	956	1,213	25,471
Between one and five years	49,055	1,280	1,598	51,933
After five years	1,280	12	–	1,292
	73,637	2,248	2,811	78,696

43 SIGNIFICANT RELATED PARTY TRANSACTIONS DISCLOSURES

In the normal course of business, the Group and Company undertake a variety of transactions at mutually agreed terms with subsidiary companies, associated companies, jointly controlled entities and other related parties. The related parties with whom the Group and Company transact with, include the following companies:

Related parties	**Relationship**
Lotus Group International Limited	Subsidiary company
Miyazu (Malaysia) Sdn. Bhd.	Associated company
PHN Industry Sdn. Bhd.	Associated company
Marutech Elastomer Industries Sdn. Bhd.	Associated company
Exedy (Malaysia) Sdn. Bhd.	Associated company
Netstar Advance Systems Sdn. Bhd.	Associated company
Proton Finance Limited	Associated company
Lotus Finance Limited	Jointly controlled entity
Proton Parts Centre Sdn. Bhd.	Jointly controlled entity
Technomeiji Rubber Industries Sdn. Bhd.	Equity investment
Aluminium Alloy Industries Sdn. Bhd.	Equity investment
Ara Borgstena Sdn. Bhd.	Equity investment

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) Interest income from advances to a subsidiary company

	Company	
	2011 RM'000	2010 RM'000
Subsidiary company		
- Lotus Group International Limited	16,832	–

(b) Sales of goods and services

	Group	
	2011 RM'000	2010 RM'000
Jointly controlled entities		
- Proton Parts Centre Sdn. Bhd.	20,034	20,780
- Lotus Finance Limited*	67,691	74,641
Associated company		
- Proton Finance Limited*	15,679	29,100

* Under the terms of financing agreements, Lotus Finance Limited and Proton Finance Limited provide financing services to dealers and customers of the Group to acquire vehicles. Vehicles under financing arrangements are sold through Lotus Finance Limited and Proton Finance Limited.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

43 SIGNIFICANT RELATED PARTY TRANSACTIONS DISCLOSURES (cont'd)

(c) Purchases of goods and services from:

	Group 2011 RM'000	2010 RM'000
Associated companies		
- PHN Industry Sdn. Bhd.	**171,505**	164,261
- Marutech Elastomer Industries Sdn. Bhd.	**1,692**	1,365
- Exedy (Malaysia) Sdn. Bhd.	**11,388**	8,186
- Netstar Advance Systems Sdn. Bhd.	**6,451**	5,489
- Miyazu (Malaysia) Sdn. Bhd.	**80,907**	44,057
Jointly controlled entity		
- Proton Parts Centre Sdn. Bhd.	**160,242**	133,429
Equity investment companies		
- Technomeiji Rubber Industries Sdn. Bhd.	**4,326**	3,063
- Aluminium Alloy Industries Sdn. Bhd.	**15,532**	38,706
- Ara Borgstena Sdn. Bhd.	**1,288**	566

(d) Interest expense

	Group 2011 RM'000	2010 RM'000
Associated company		
- Proton Finance Limited	**264**	371

(e) Key management personnel compensation

Key management is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including executive and non-executive directors. The key management compensation disclosed below excludes the Executive and Non-executive Directors' compensation as disclosed in Note 8 to the financial statements:

	Group 2011 RM'000	2010 RM'000
Salaries and other short-term employee benefits	**14,310**	15,067
Defined contribution retirement plan	**1,563**	1,184

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

44 CONTINGENT LIABILITIES

	Group	
	2011	2010
	RM'000	RM'000
Disputed claims	**2,387**	27,503

(a) In a prior financial year, a supplier had obtained a judgment in default against a subsidiary company for RM12.5 million after failing to reach a formal agreement. The subsidiary company had obtained legal opinion that the claims are without basis and action has been taken to set aside the judgment. The Directors are of the opinion, based on legal advice, that the claims have no merits and are unlikely to succeed.

(b) A subsidiary company had issued a notice of termination of an associated company on 11 July 2006 to the subsidiary company's joint venture partner ('Respondent'). The subsidiary company's joint venture partner is disputing the termination. The amount claimed cannot be quantified due to the nature of damages being claimed which can only be ascertained from evidence produced during the arbitration process. According to the Joint Venture Contract ('JV Contract'), disputes must be referred to arbitration. The subsidiary company filed the Statement of Case with the Singapore International Arbitration Centre on 31 January 2008. The Respondent subsequently produced a Memorandum allegedly signed by the subsidiary company and the Respondent dated the same date as the JV Contract which allegedly states that the forum for settling of disputes should be the Chinese courts and not arbitration. The subsidiary company maintains that the Memorandum is a forgery. The arbitration tribunal stated that it has jurisdiction to hear the matter challenging its jurisdiction and this will be by way of a full hearing involving witnesses and evidence.

The Respondent had on 11 June 2008 filed an action in China seeking damages for the unlawful termination of the JV Contract by the subsidiary company. The subsidiary company has accordingly filed its objection to the action in China on the basis that the Chinese court has no jurisdiction to hear any matters in relation to the JV. This is supported by the tribunal awards on jurisdiction and on the valid termination of the JV. The objection is pending examination by the Chinese court.

On 2 February 2010, the arbitration tribunal issued a final award stating that the JV Contract was validly terminated.

On 24 May 2010, the arbitration tribunal ordered the Respondent to pay the subsidiary company all its legal and arbitration costs totalling Singapore Dollar 655,056 (RM1,572,134). The subsidiary company is currently in the midst of enforcing the arbitral award and initiating the winding-up process in China.

The enforcement of the arbitral award is still pending decision from the Guangzhou High court. Meanwhile the subsidiary company has made an application to the court for protective proceedings in relation to the final arbitral award (except for costs) and the final arbitral award in respect of costs.

44 CONTINGENT LIABILITIES (cont'd)

(c) A subsidiary company entered into a Licence Agreement ('the Licence') in respect of certain trade marks for use in limited areas of F1 motorsport for a period of 5 years. The Licensee has not honoured the terms of the Licence and as a result the subsidiary company gave notice to terminate the Licence in August 2010. The Licensee is disputing the termination and argues that the termination amounts to a repudiation of the Licence.

The Licensee initially issued proceedings against the subsidiary company in September 2010 but these were withdrawn and consolidated into the proceedings issued by the subsidiary company in October 2010.

The trial proceeded from 21 March 2011 and concluded on 1 April 2011. The judgment was handed down on 27 May 2011.

At the remedies hearing on 22 June 2011, the Judge made a number of orders in respect of the judgment and also granted permission for the subsidiary company to add further Defendants to the proceedings to take account of matters which had arisen during and immediately after the trial:

(i) With regards to the subsidiary company's application for an injunction to restrain the Licensee from using the word "Lotus" on its own as its chassis name in F1 ('the Chassis Claim'), the Judge directed that this issue be determined at a later date;

(ii) The subsidiary company's claim was dismissed except in relation to breaches of the Licence by the Licensee and a finding of fact that the subsidiary company had lawfully terminated the Licence. The subsidiary company has applied for an inquiry into the damages it has suffered;

(iii) Certain of the Licensee's trade mark registrations were revoked;

(iv) The Licensee's counterclaim is dismissed;

(v) A certificate that certain of the subsidiary company's trade marks had been considered and were valid;

(vi) The subsidiary company and the Licensee refused leave to appeal;

(vii) With regards to costs:

The subsidiary company was ordered to pay the Licensee's costs of the summary judgment application heard on 24 January 2011 and 70% of all of the residual costs of the action not provided for elsewhere subject to assessment, if not agreed. The subsidiary company is to make payment on account of costs to the Licensee amounting to £500,000 by 6 July 2011 subject to certain undertakings to be given to the Court by the Licensee.

The Licensee to pay the subsidiary company's costs relating to the issue of revocation of the Licensee's trade marks and the Licensee's costs relating to Licensee's counterclaims and 65% of the Claimants' costs relating to the breaches of the Licence, subject to assessment, if not agreed.

Since the Judge refused both parties leave to appeal, a Notice of Appeal has been filed to the Court of Appeal.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

45 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short term funds deposited with licensed banks	**970,341**	1,385,703	**134,586**	248,119
Bank and cash balances	**322,692**	266,386	**1,312**	257
Deposits, bank and cash balances	**1,293,033**	1,652,089	**135,898**	248,376
Deposit pledged with a financial institution as security for banking facilities	**(75,000)**	(25,468)	**–**	–
Bank balance in respect of ADF liabilities (Note 31(c))	**(4,417)**	(20,512)	**–**	–
	1,213,616	1,606,109	**135,898**	248,376

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, price risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to optimise value for its shareholders.

The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risks reviews, internal control systems, a comprehensive insurance programme and adherence to Group financial risk management policies. The Group uses derivative financial instruments, such as, foreign exchange contracts to hedge certain exposures. The Group does not trade in financial instruments.

Group risk management is carried out by Group Risk Department under policies approved by the Board of Directors, Board Audit Committee and Management Committee. Group Treasury identifies, evaluates and hedges financial risks in line with the Group's operating units' requirements. Written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments, as well as investment of excess funds are provided by the Board.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Financial risk factors (cont'd)

Group Treasury department reports directly to the Chief Financial Officer and Forex & Investment Committee ('FIC') which meets once every two months to provide guidance. The roles and responsibilities of the FIC, amongst others, include the approval of hedging strategies and transactions; money market placements and investment portfolio; and transactions and counter party limits treasury policy. It is also responsible for the recommendation of banking and funding facilities and signatories to bank accounts

The Board and the Management Committee Members regularly reviews these risks and approves the treasury policies, which cover the management of these risks.

(i) Foreign currency exchange risk

The Group operates internationally and is therefore exposed to currency risk as a result of the foreign currency transactions entered into by the Company and its subsidiary companies in currencies other than their functional currencies. The Group enters into forward foreign currency exchange contracts to limit the exposure on foreign currency receivables and payables, and on cash flows arising from anticipated transactions denominated in foreign currencies.

Management has set up a policy that requires all companies within the Group to manage their treasury activities and exposures. The Group treasury policy requires subsidiary companies to hedge their entire foreign exchange exposure up to 100% for firm commitments and is allowed to hedge up to 75% for forecast commitment, where appropriate. In addition, the Group also takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The Group's principal foreign currency exposure relates mainly to United States Dollars ('USD'), Japanese Yen ('JPY'), Pound Sterling ('GBP') and Euro ('EUR').

If the functional currencies appreciated by 10% against the other currencies, with all other variables held constant, the impact would be as follows:

	Group 2011 Increase/(decrease) RM'000 Profit before tax
RM/USD	(7,235)
RM/JPY	6,069
GBP/JPY	2,248
RM/EUR	1,697

A 10% weakening of the above currencies against the functional currencies concerned would have an opposite effect to the above amounts, on the basis that all other variables remain constant.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Financial risk factors (cont'd)

(ii) Interest rate risk

The Group's interest income and finance costs are affected by changes in market interest rates on fixed deposits interest rates and interest rates on borrowings respectively.

Interest rates risk arises from the Group's short term deposits and borrowings. The short term deposits are placed at prevailing interest rates.

If the GBP interest rates increase/(decrease) by 10%, with all other variables remaining constant, the Group's profit before tax would be higher or lower by RM1,088,000 as a result of lower or higher interest expense.

(iii) Market risk

The Group does not face significant exposure from the risk from changes in debt and equity prices.

(iv) Credit risk

Financial assets that are potentially subject to credit risk consist principally of receivables, deposits, bank and cash balances.

The Group seeks to invest cash assets safely and profitably. The cash and cash equivalent which comprise deposits and cash at banks are placed with credit worthy financial institutions where all deposits are guaranteed by the Central banks or Bank Negara, where applicable. The Group considers the risk of material loss for deposits placed with banks is remote in view of the financial strength of the financial institutions.

The Group seeks to control customer's credit risk by ensuring that significant sales of vehicles and provision of services are made to customers with an appropriate credit history. Receivables are presented net of impairment for doubtful debts

(v) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The overall objective of cash management is to maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. Group Treasury also ensures that there are sufficient unutilised standby facilities, funding and liquid assets available to cover both short term and long term funding requirements.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Financial risk factors (cont'd)

(v) Liquidity and cash flow risk (cont'd)

The Group's financial liabilities analysed into their relevant maturity from reporting date are as follows:

			Group 2011
	Less than 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000
Trade and other payables and accruals	1,524,106	–	–
Bank borrowings	362,215	9,784	–
Lease and hire purchase creditors	1,883	918	–
Amounts due to associated companies	61,213	–	–
ADF liabilities	–	4,417	–
Amounts due to jointly controlled entities	43,773	–	–

			Company 2011
	Less than 1 year RM'000	Between 1 and 5 years RM'000	More than 5 years RM'000
Trade and other payables	795	–	–
Amounts due to associated companies	19	–	–
Amounts due to a subsidiary company	35,825	–	–

(b) Capital risk management

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern and to maintain an efficient capital structure that maximises returns to its shareholders and other stakeholders.

The Group monitors the capital structure using gearing ratio. This ratio is calculated as total debts (including short and long term borrowings) divided by total equity which is the sum of equity and total debt.

The long and short term borrowings amounting to RM310.7 million as at 31 March 2011 in respect of the Lotus Group has been repaid with the financing facilities mentioned in Note 47.

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Capital risk management (cont'd)

The Group gearing ratio as at 31 March 2011 is as follows:

	2011 RM'000
Total debt	373,756
Total equity	5,406,740
Total capital	5,780,496
Gearing ratio	6.40%

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group carried at amortised costs at the date of statement of financial position approximated their fair values.

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Subsequent to the Group's financial year end, Lotus Cars Limited ('Lotus Cars' or the 'Borrower'), a wholly owned subsidiary company of the Group secured financing facilities comprising:

(i) Syndicated Term Loan Facilities GBP230 million (RM1,120 million);

(ii) Revolving Credit Facility GBP25 million (RM122 million); and

(iii) Working Capital Facilities GBP15 million (RM73 million);

collectively known as 'the Facilities' totalling GBP270 million (RM1,315 million).

The Syndicated Term Loan Facilities are repayable in nine quarterly installments from 31 March 2015 to 31 March 2017. The Revolving Credit Facility and Working Capital Facilities are repayable on 31 March 2017. The interest on the Syndicated Term Loan Facilities and the Revolving Credit Facility is 2% per annum above the London Interbank Offered Rate ('LIBOR') plus the cost of maintaining statutory reserve on the amounts outstanding. The commission for Working Capital Facilities ranges between 0.1% to 0.125% per month to 1.2% per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

47 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR (cont'd)

The Facilities are secured by:

(i) Charge over land and building of Lotus Cars;

(ii) Assignment of Lotus Cars receivables;

(iii) Charge over designated bank accounts of certain subsidiary companies within LGIL;

(iv) Memorandum of deposit over shares of Lotus Cars;

(v) A corporate guarantee from PONSB; and

(vi) Negative pledge of Lotus Cars assets.

The Facilities subject the Group, Lotus Cars and PONSB to financial covenants such as Minimum Tangible Net Worth, Debt to Tangible Net Worth ratio and Minimum Cash Threshold, which are required to be tested quarterly, and Debt Cover and Debt Service Coverage ratio to be tested annually.

Additionally, Lotus Cars had given general undertakings to ensure that:

(i) A shareholder subscription agreement with a Joint Venture partner is to be executed by 30 June 2011 and procure the shareholder subscription agreement to be unconditional within 9 months of its execution ('Shareholder Subscription Agreement 1');

(ii) A shareholder subscription agreement with a key management personnel is to be executed by 30 June 2011, and to procure the shareholder subscription to be unconditional within 3 months of its execution; and that no less than GBP12.5 million is to be contributed by a key management personnel within 6 months and a remaining amount of GBP12.5 million is to be paid within 18 months of the agreement becoming unconditional ('Shareholder Subscription Agreement 2'); and

(iii) Pledging of Lotus Cars USA Inc. bank accounts is to be perfected by 30 June 2011.

As at 30 June 2011, the above Shareholder Subscription Agreements have not been executed. The Facility Lenders had on 15 July 2011, approved the extension of time to:

(i) Execute the Shareholder Subscription Agreement 1 no later than 31 December 2011;

(ii) Execute the Shareholder Subscription Agreement 2 no later than 30 September 2011; and

(iii) Ensure the pledge over bank accounts of Lotus Cars USA Inc. is perfected no later than 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

48 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Impact on the statements of financial position

	Balance as at 31 March 2010		Balance as at 1 April 2010
	As previously reported RM'000	Effects of adopting FRS 139 RM'000	After effects of adopting FRS 139 RM'000
Group			
Non-current assets			
Associated companies	152,640	86	152,726
Jointly controlled entities	202,545	(4,488)	198,057
Current assets			
Available-for-sale financial assets	–	11,776	11,776
Short term investments	9,676	(9,676)	–
Non-current assets held for sale	2,100	(2,100)	–
Reserves and equity			
Retained earnings	4,372,792	(4,402)	4,368,390
Company			
Non-current asset			
Amounts due from subsidiary companies	232,946	(39,776)	193,170
Reserves and equity			
Retained earnings	1,723,894	(39,776)	1,684,118

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

48 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

(a) Impact on the statements of financial position (cont'd)

	Increase/(decrease) to balances as at 31 March 2011 IC 13 RM'000	FRS 139 RM'000
Group		
Current liabilities		
Trade and other payables	–	1,151
Deferred revenue	11,358	–
Derivative financial liabilities	–	439
Reserves and equity		
Retained earnings	(11,358)	(1,590)

	Increase/(decrease) to balances as at 31 March 2011 FRS 139 RM'000
Company	
Non–current assets	
Amounts due from subsidiary companies	(2,159)
Reserves and equity	
Retained earnings	(2,159)

(b) Impact on the statements of comprehensive income

	Increase/(decrease) For the financial year ended 31 March 2011 IC 13 RM'000	FRS 139 RM'000
Group		
Revenue	(11,358)	–
Finance cost - others	–	(1,151)
Net forward foreign exchange contract loss	–	(3,549)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2011 (cont'd)

48 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

(b) Impact on the statements of comprehensive income (cont'd)

	Increase/(decrease) For the financial year ended 31 March 2011 FRS 139 RM'000
Company	
Finance cost – Fair value adjustment on amount due from a subsidiary company	(6,109)
Interest income – Accretion of interest on amount due from a subsidiary company	3,951

49 COMPARATIVE FIGURES

Certain comparative figures in the financial statements of the Group have been reclassified to conform with presentation in the current financial year. These relate mainly to the following:

	Group		Company	
	As previously reported RM'000	As reclassified RM'000	As previously reported RM'000	As reclassified RM'000
Statements of financial position				
Amounts due from associated companies	34,615	–	350	–
Dividend receivable	–	–	6,600	6,950
Amounts due to associated companies	(79,730)	(45,115)	–	–
Statements of comprehensive income				
Cost of sales	(7,616,732)	(7,382,698)	–	–
Research and development expense	–	(42,899)	–	–
Other operating income	324,920	181,232	–	–
Other operating expense	(1,689)	(49,136)	–	–

50 REALISED AND UNREALISED RETAINED EARNINGS

Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad ('Bursa Securities') Listing Requirements.

The breakdown of the retained earnings of the Group and the Company as at 31 March 2011, into realised and unrealised profits, pursuant to a directive issued by Bursa Securities on 25 March 2010 is as follows:

	Group 2011 RM'000	Company 2011 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	4,375,043	1,719,861
- Unrealised	(107,895)	–
Total retained earnings from associated companies:		
- Realised	63,010	–
- Unrealised	–	–
Total retained earnings from jointly controlled entities:		
- Realised	90,879	–
- Unrealised	(10,876)	–
Consolidation adjustments	33,821	–
Total retained earnings as at 31 March	4,443,982	1,719,861

The determination of realised and unrealised profit is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits is solely for the purpose of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

STATEMENT BY DIRECTORS PURSUANT TO
Section 169(15) Of The Companies Act, 1965

We, Dato' Sri Mohd Nadzmi bin Mohd Salleh and Dato' Sri Syed Zainal Abidin B Syed Mohamed Tahir, two of the Directors of Proton Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 161 to 270 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 March 2011 and of the results and cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

Signed on behalf of the Board of Directors in accordance with a resolution dated 26 July 2011.

DATO' SRI MOHD NADZMI BIN MOHD SALLEH
CHAIRMAN

DATO' SRI SYED ZAINAL ABIDIN B SYED MOHAMED TAHIR
MANAGING DIRECTOR

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

I, Azhar bin Othman, the officer primarily responsible for the financial management of Proton Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 161 to 270 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.

AZHAR BIN OTHMAN

Subscribed and solemnly declared by the abovenamed Azhar bin Othman at Shah Alam in Malaysia on 26 July 2011, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PROTON HOLDINGS BERHAD
(Incorporated in Malaysia) (Company No. 623177-A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Proton Holdings Berhad on pages 161 to 269 which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and 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 in Notes 1 to 49.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2011 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROTON HOLDINGS BERHAD (cont'd)

(Incorporated in Malaysia) (Company No. 623177-A)

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 16 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 50 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

THAYAPARAN A/L S. SANGARAPILLAI
(No. 2085/09/12 (J))
Chartered Accountant

Kuala Lumpur
26 July 2011

SHAREHOLDING STATISTICS
As At 29 July 2011

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share Capital Issued and Fully Paid Up Capital	RM1,000,000,000/-
Issued and Fully Paid Up Capital	RM549,213,002/-
Class of Shares	Ordinary Shares of RM1/- each
Voting Rights	One (1) Voting Right for One (1) Ordinary Share

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares	% of Shares held
1 - 99	133	1.815	1,638	0.000
100 - 1,000	3,640	49.687	3,381,071	0.616
1,001 - 10,000	2,943	40.172	11,282,291	2.054
10,001 - 100,000	453	6.184	14,065,039	2.561
100,001 - 27,460,649	154	2.102	196,894,690	35.850
27,460,650 and above	3	0.040	323,588,273	58.919
Total	7,326	100.000	549,213,002	100.000

DISTRIBUTIONS OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders/ Depositors		No. of Shares		% of Shares held	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1 - 99	130	3	1,580	58	0.000	0.000
100 - 1,000	3,589	51	3,335,571	45,500	0.607	0.008
1,001 - 10,000	2,851	92	10,866,591	415,700	1.979	0.076
10,001 - 100,000	373	80	10,699,515	3,365,524	1.948	0.613
100,001 - 27,460,649	60	94	136,101,027	60,793,663	24.781	11.069
27,460,650 and above	3	0	323,588,273	0	58.919	0.000
Total	7,006	320	484,592,557	64,620,445	88.234	11.766

SHAREHOLDING STATISTICS
As At 29 July 2011 (cont'd)

SUBSTANTIAL SHAREHOLDERS

No.	Name	No. of Shares	%
1	Khazanah Nasional Berhad	234,734,693	42.740
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	45,732,900	8.326
3	Cartaban Nominees (Tempatan) Sdn. Bhd. Petroliam Nasional Berhad (Strategic Inv)	43,120,680	7.851

THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Khazanah Nasional Berhad	234,734,693	42.740
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	45,732,900	8.326
3	Cartaban Nominees (Tempatan) Sdn. Bhd. Petroliam Nasional Berhad (Strategic Inv)	43,120,680	7.851
4	MAYBAN Nominees (Tempatan) Sdn. Bhd. MAYBAN Trustees Berhad for Public Regular Savings Fund	20,493,600	3.731
5	MAYBAN Nominees (Tempatan) Sdn. Bhd. MAYBAN Trustees Berhad for Public Ittikal Fund	18,290,800	3.330
6	Lembaga Tabung Haji	16,820,427	3.062
7	Kumpulan Wang Persaraan (Diperbadankan)	13,554,200	2.467
8	Amanahraya Trustees Berhad Amanah Saham Malaysia	10,867,000	1.978
9	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Nomura)	9,589,100	1.745
10	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	8,460,000	1.540
11	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for The Bank of New York Mellon (Mellon Acct)	7,629,300	1.389
12	HSBC Nominees (Asing) Sdn. Bhd. NTGS LDN for Skagen Kon-Tiki Verdipapirfond	5,817,000	1.059
13	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	5,355,100	0.975
14	Permodalan Nasional Berhad	4,599,900	0.837
15	Amanahraya Trustees Berhad AS 1Malaysia	4,247,800	0.773

SHAREHOLDING STATISTICS
As At 29 July 2011 (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

No.	Name	No. of Shares	%
16	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	3,786,000	0.689
17	Amanahraya Trustees Berhad Public Islamic Sector Select Fund	3,775,000	0.687
18	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	2,234,100	0.406
19	Cartaban Nominees (Asing) Sdn. Bhd. Government of Singapore Investment Corporation Pte. Ltd. for Government of Singapore (C)	2,179,100	0.396
20	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JPMorgan Chase Bank, National Association (Australia)	1,958,600	0.356
21	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Brandes Institutional Equity Trust	1,856,700	0.338
22	HSBC Nominees (Asing) Sdn. Bhd. TNTC for LSV Emerging Markets Equity Fund L.P.	1,586,100	0.288
23	Employees Provident Fund Board	1,470,000	0.267
24	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	1,404,700	0.255
25	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (RHB Inv)	1,400,000	0.254
26	Pertubuhan Keselamatan Sosial	1,385,900	0.252
27	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	1,316,700	0.239
28	Kaf Trustee Berhad Kaf Fund Management Sdn. Bhd. for Kaf Seagroatt & Campbell Berhad	1,200,000	0.218
29	Koperasi Permodalan Felda Malaysia Berhad	1,194,800	0.217
30	Citigroup Nominees (Asing) Sdn. Bhd. Legal & General Assurance (Pensions Management)	1,141,200	0.207
	TOTAL	477,201,400	86.888

DIRECTORS' SHAREHOLDINGS

None of the Directors hold any shares in the Company.

PROPERTIES OWNED BY PROTON GROUP
As At 31 March 2011

PROPERTIES OWNED BY PERUSAHAAN OTOMOBIL NASIONAL SDN. BHD. (PONSB)

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011	Net Book Value (RM 'Mil)	2010	2011
No. H.S. (D) 71311, No. P.T 82 Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land with an area of 6,231,080 sq. ft. with main office, main factory, engine factory, medium volume factory, canteen buildings, sports facilities, car park for production cars and additional R&D laboratories building. Total built -up area is 2,594,603 sq.	Freehold	05.09.1983	25 Years	26 Years	Land Buildings	68.40 100.40	68.40 96.60
No. H.S. (D) 71309, No. P.T. 80, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land having an area of 158,107 sq. ft. used as the car park for staff.	Freehold	19.11.1993	–	–	Land	2.60	2.60
Geran 215214, Lot 61812 Bandar Glenmarie, District of Petaling, Selangor Darul Ehsan.	Land with an area of 1,027,339 sq. ft. with office, factory and canteen buildings and sports facilities used for the Casting Plant.	Freehold	30.12.1992	16 Years	17 Years	Land Buildings	21.20 33.70	21.20 30.70
HSD 86554, PT 257, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land with an area of 2,396,727 sq. ft. adjoining the Company's northern boundary housing the semi-high speed test track and control building. Size of Test Track is 2,102,731 sq. ft.	Freehold	18.04.1994	16 Years	17 Years	Land Track & Buildings	54.90 6.90	54.90 4.80
No. H.S. (D) B.P. 5653 and 5654 Bil P.T. 16162 and 10163, District of Batang Padang, Mukim of Ulu Bernam Timur, Perak Darul Riduan.	Land with an area of 55,440,519 sq. ft, for the construction of a second automobile plant, administrative building and sports complex facilities. Total built-up area is 3,374,577 sq.ft.	Freehold	03.02.1999	7 Years	8 Years	Land Building	1.00 417.90	1.00 404.60

PROPERTIES OWNED BY PROTON GROUP
As At 31 March 2011 (cont'd)

PROPERTIES OWNED BY PROTON EDAR SDN BHD (PESB)

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011		Net Book Value (RM 'Mil) 2010	2011
Vehicel Preparation Centre (VPC) No H.S. (D) 86555, PT No. 258 and H.S. (D) 86557, PT No. 260, TP 5 Road, Sime UEP Industrial Park, 47600 Subang Jaya, Selangor Darul Ehsan.	Vehicle Preparation Centre and stock control building with a land area of 315,553 sq. ft. (total built-up area is 101,956 sq. ft.)	Freehold	01.12.2000	8 Years	9 Years	Building	3.90	3.66
Centre of Excellence (COE) & Pre-Delivery and Inspection Centre (PDI) No H.S. (D) 86596, PT No. 299 and H.S. (D) 86597, PT No. 300, TP 5 Road, Sime UEP Industrial Park, 47600 Subang Jaya	Administration & Operation Office and Pre-Delivery & Inspection Centre with total land area of 465,184 sq. ft.	Freehold	01.03.2001	9 Years	10 Years	Land Building	35.70 113.90	35.70 107.48
No. 2, Lrg. Samarinda 6A Off Jalan Kebun H.S (D) 60042, P.T. No. 64566 Mukim Klang Selangor	Three (3) storey corner terraced shopoffice unit with a land area of approximately 2,476 sq. ft.	Freehold	10.05.2002	7 Years	8 Years	Building	0.55	0.51
Lot 859, Block 16 Kuching Central Land District, Stampin 4½ Mile, Penrissen Road Kuching, Sarawak	Land with an area of 48,384 sq. ft. used for sales outlet and service centre with a built-up area of approximately 37,049 sq. ft.	Leasehold	12.07.2002 27.11.2007	8 Years 2 Years	9 Years 3 Years	Land Building	2.80 6.70	1.67 6.37
No. 218089. Mukim Plentong, Daerah Johor Bahru, Johor	Land with an area of 87,120 sq. ft. to be used for sales outlet and service centre	Freehold	29.04.2002	8 Years	9 Years	Land Building	8.10 5.80	8.10 5.55
H.S (D) 63313, P.T. No. 9671 Mukim of Ampangan District of Seremban, Negeri Sembilan	Land with an area of 79,949 sq.ft. used for sales outlet and service centre is 7,175 sq.ft.	Leasehold	19.07.2002 29.09.2003	7½ Years 5 Years	8½ Years 6 Years	Land Building	3.10 2.40	2.79 2.27

PROPERTIES OWNED BY PROTON GROUP
As At 31 March 2011 (cont'd)

PROPERTIES OWNED BY PROTON EDAR SDN BHD (PESB) (cont'd)

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011		Net Book Value (RM 'Mil) 2010	2011
HSD 318392, PTD 81816, Mukim of Pulai, District of Johor Bahru, Johor Darul Takzim.	Land with an area of 57,267 sq.ft. to be used for sales outlet and service centre.	Leasehold	06.08.2002	7½ Years	8½ Years	Land	5.10	5.01
Lot PT 4352, Mukim Kuah District of Langkawi Kedah.	Land with an area of 51,979 sq. ft. to be used for sales outlet and service centre.	Freehold	13.09.2002	7½ Years	8½ Years	Land	1.40	1.40
Geran 111857, Lot 67320, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	Land with an area of 61,524 sq. ft. to be used for sales outlet and service centre.	Freehold	02.09.2002 01.03.2004	7½ Years 5 Years	8½ Years 5 Years	Land Building	9.60 5.50	9.60 5.20
No H.S. (D) 36599, PT No. 302, TP 5 Road, Sime UEP Industrial Park, 47600 Subang Jaya, Selangor Darul Ehsan.	Land with an area of 123,853 sq. ft. to be used for stockyard area.	Freehold	05.12.2005	4½ Years	5½ Years	Land	5.80	5.80
L&D Tanjung Malim, Proton Edar Sdn. Bhd., c/o Proton Tanjung Malim Sdn. Bhd., Proton City, 35900, Tanjung Malim, Perak.	Administration & Operation Office.	Freehold	31.07.2007	2 Years	3 Years	Building	4.40	4.20
Central Hub Building, Proton City, 35900, Tanjung Malim, Perak.	Logistik & Distribution.	–	03.06.2010	–	1 Year	Building	–	27.44
Joint Inspection Area, Building@Shah Alam.	Vehicle Inspection.	–	08.04.2010	–	1 Year	Building	–	0.46

PROPERTIES OWNED BY PROTON GROUP
As At 31 March 2011 (cont'd)

PROPERTIES OWNED BY PROTON CARS (UK) LTD (PCUK)

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011	Net Book Value (RM 'Mil)	2010	2011
Ref. AV 915, Units 1-3, Crowley Way, Avonmouth, Bristol Avon BS11 9YR, England.	Land with an area of 162,479 sq. ft. with a parts warehouse building	Freehold	31.03.1994	34 Years	35 Years	Land Building	5.01 1.49	4.94 1.43

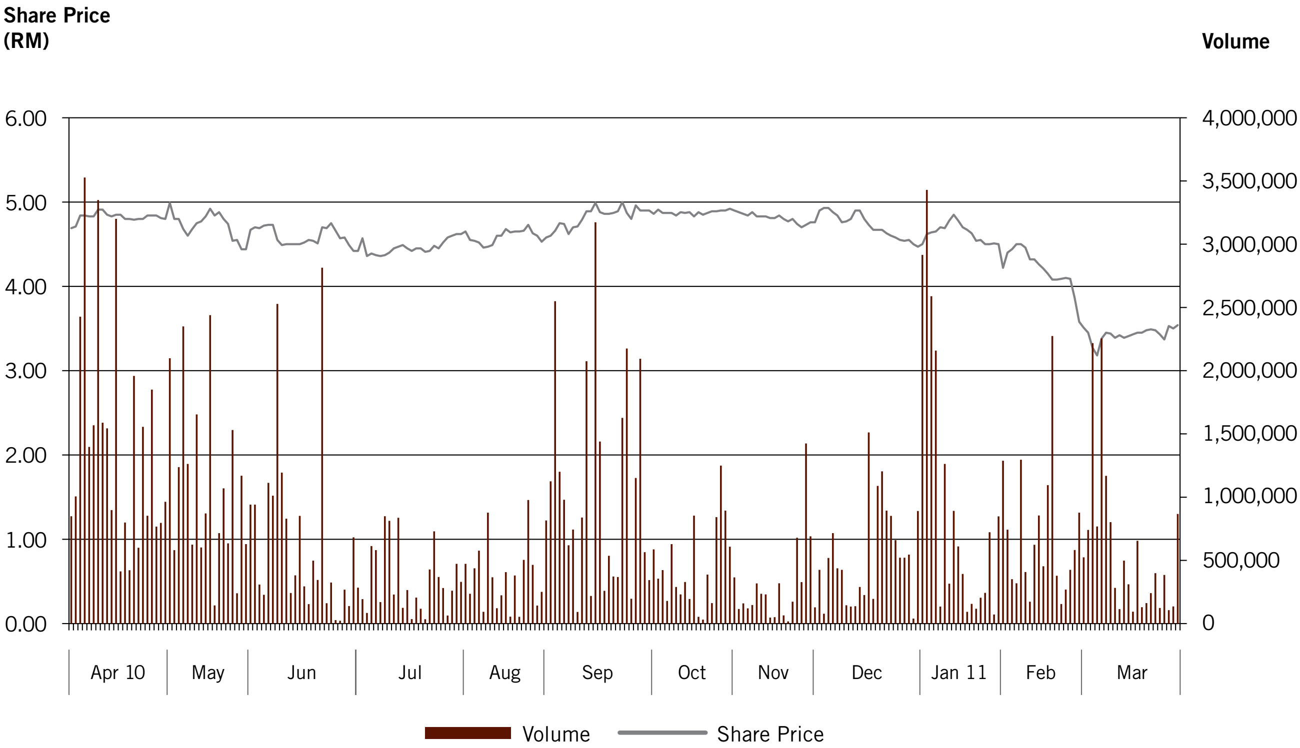
PROPERTIES OWNED BY LOTUS CARS LTD.

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011	Net Book Value (RM 'Mil)	2010	2011
Land adjacent to Potash Lane, Hethel, Norwich, Norfolk NR 14 8EZ, England and Land north of Browic.	Two parcels of land with a total area of 6,286,550 sq. ft. with the factory, engineering facilities, offices and test track of Lotus Group International Ltd. Total built up area is 515,500 sq. ft.	Freehold	26.09.1968	42 Years	43 Years	Land Building	4.87 52.07	4.80 51.88
Potash Lane, Hethel, Norwich, Norfolk NR14 8EZ, England.	R&D building rented to group companies. Total built up area is 86,600 sq. ft.	Freehold	01.03.2000	10 Years	11 Years	Building	8.89	20.82

PROPERTIES OWNED BY LOTUS HOLDINGS INC

Location	Description	Tenure	Date of Acquisition/ Revaluation	Age of Building 2010	Age of Building 2011	Net Book Value (RM 'Mil)	2010	2011
1254 North Main St, Ann Arbor, Michigan USA.	Land with an area of approximately 165,528 sq. ft. with office and workshop. Total built up area is 73,000 sq. ft.	Freehold	24.02.2000	Office: 90 Years Workshop: 44 Years	Office: 91 Years Workshop: 45 Years	Land Building	0.82 5.84	0.81 5.13

SHARE PRICE AND VOLUME TRADED



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE EIGHTH (8TH) ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT THE AUDITORIUM, LEVEL 1, PROTON CENTRE OF EXCELLENCE, KM 33.8, WESTBOUND SHAH ALAM EXPRESSWAY, 47600 SUBANG JAYA, SELANGOR DARUL EHSAN, MALAYSIA ON THURSDAY, 15 SEPTEMBER 2011 AT 10.00 A.M. FOR THE FOLLOWING PURPOSES:

1. To receive the Audited Financial Statements for the year ended 31 March 2011 together with the Reports of the Directors and the Auditors thereon.

2. To elect the following Directors who retire in accordance with the Company's Articles of Association:

   Article 104

   (i) Dato' Sri Mohd Nadzmi Bin Mohd Salleh — **Ordinary Resolution 1**

   (ii) Dato' Michael Lim Heen Peok — **Ordinary Resolution 2**

   Article 111

   (i) Datuk Johar Bin Che Mat — **Ordinary Resolution 3**

   (ii) Datuk Nozirah Binti Bahari — **Ordinary Resolution 4**

   Article 139

   (i) Dato' Sri Haji Syed Zainal Abidin B Syed Mohamed Tahir — **Ordinary Resolution 5**

3. To approve the payment of Directors' Fees for the Financial Year ended 31 March 2011. — **Ordinary Resolution 6**

4. To declare and approve the payment of a first and final dividend of 10 sen per share less 25.0% income tax in respect of the Financial Year ended 31 March 2011 as recommended by the Directors. — **Ordinary Resolution 7**

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

6. **SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following as Special Resolution:

PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION ('PROPOSED AMENDMENTS')

'**THAT** the Proposed Amendments to the Company's Articles of Association in the form and manner as set out in the Explanatory Notes appearing on pages 286 to 287 of this Annual Report be and are hereby approved. **Special Resolution 1**

AND THAT the Directors and/or any of them be and are authorised to do all acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications, variation and/or amendments as may be required by Bursa Malaysia Securities Berhad or any relevant authorities.'

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT the first and final dividend of 10 sen less 25.0% income tax in respect of the Financial Year ended 31 March 2011, if approved at the Eighth (8th) Annual General Meeting will be paid on 20 October 2011 to shareholders whose names appear in the Register of Members and/or the Record of Depositors on **23 September 2011**.

A Depositor shall qualify for entitlement to the first and final dividend only in respect of:

(a) Shares transferred into the Depositors' Securities Account before 4:00 p.m. on 23 September 2011 in respect of transfer.

(b) 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

SUHLA AL ASRI (MAICSA NO. 7025570)
Company Secretary
Subang Jaya
24 August 2011

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

NOTES:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. The instrument appointing a proxy must be in writing under the hands of the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Form of Proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed.
3. The maximum number of proxies that may be appointed is two. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

   Every appointment submitted by an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, must specify the CDS Account Number.
5. The instrument appointing the proxy must be deposited at the office of the Registrars, Tricor Investor Services Sdn. Bhd. Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty eight (48) hours before the time appointed for the meeting.
6. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 67(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 7 September 2011. Only a depositor whose name appears on the General Meeting Record of Depositors as at 7 September 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his stead.

STATEMENT ACCOMPANYING THE NOTICE OF EIGHTH (8TH) ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD, APPENDED HEREUNDER ARE:

DIRECTORS STANDING FOR RE-ELECTION

Directors who are standing for re-election at the Eighth (8th) Annual General Meeting of the Company which will be held at The Auditorium, Level 1, PROTON Centre of Excellence, KM 33.8, Westbound Shah Alam Expressway, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia, on Thursday, 15 September 2011 at 10.00 a.m. pursuant to the Company's Articles of Association are:

Article 104

Dato' Sri Mohd Nadzmi Bin Mohd Salleh	Please refer to page 26 of the Annual Report
Dato' Michael Lim Heen Peok	Please refer to page 30 of the Annual Report

Article 111

Datuk Johar Bin Che Mat	Please refer to page 34 of the Annual Report
Datuk Nozirah Binti Bahari	Please refer to page 34 of the Annual Report

Article 139

Dato' Sri Syed Zainal Abidin B Syed Mohamed Tahir	Please refer to page 28 of the Annual Report

EXPLANATORY NOTES ON THE PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Article No. 82(1)

Existing At any general meeting a resolution put to the vote of the meeting shall be determined by a show of hands of the members present in person or by proxy, unless a poll is demanded (before or upon the declaration of the result of a show of hands):

(a) By the chairman of the meeting;

(b) By at least two (2) members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(c) By a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one – tenth of the total sum paid up on all the shares conferring that right;

PROVIDED THAT no poll shall be demanded on the election of a Chairman of a meeting or on any question of adjournment. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

Revised At any general meeting, a resolution put to the vote of the meeting shall be determined by a show of hands of the members present in person or by proxy, unless a poll is demanded (before or upon the declaration of the result of a show of hands):

(a) By the chairman of the meeting;

(b) By at least two (2) members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(c) By a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one – tenth of the total sum paid up on all the shares conferring that right;

Subject to the above, a proxy shall be entitled to vote on a show of hands at any general meeting.

Rationale For better administration of voting at general meeting.

EXPLANATORY NOTES ON THE PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION (cont'd)

Article No. 168

Existing Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder or to such person and to the such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder entitled to the share in consequence of the death or bankruptcy of the holder may direct, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Revised Unless otherwise directed, any dividend, interest or other money payable in cash in respect of shares may be paid **by / via (i) cheque** or **warrant made payable to the holder** and sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct, or, **(ii) electronic fund transfer or remittance or other methods of funds transfer or remittance to such bank account of the holder or person entitled thereto as provided to the Central Depository from time to time subject to the rules and such payment shall operate as a good and full discharge by the Company in respect of the dividend represented thereby.**

Every such cheque or warrant or electronic fund transfer or remittance shall be sent / made at the risk of the person entitled to the money thereby represented. No unpaid dividend or unpaid interest shall bear interest as against the Company.

Rationale To be in line with Bursa Malaysia's Listing Requirements on E-Dividend.

Article No. 151A (New)

Existing –

Revised Where a Secretary gives notice of resignation to the Directors, the Secretary shall cease to be the Secretary of the Company upon the expiry of the notice of resignation as per his / her Letter of Appointment.

Rationale The rationale for the proposed incorporation of this new article is to improve the effectiveness of the process of resignation of the company secretary while upholding the principles of good corporate governance practice.

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FORM OF PROXY

PROTON ANNUAL REPORT 2011
PROTON Holdings Berhad (623177-A)

No. of Shares Held	
CDS Account No. of Authorised Nominee	

I/We ____ (name of shareholder, in capital letters)

NRIC No. ______________________ (new) ______________________ (old) ID No./Company No. ______________

of ____ (full address)

being a member of PROTON Holdings Berhad, hereby appoint ______________________________________

(name of proxy as per NRIC, in capital letters) NRIC No. ____________________ (new) ____________________ (old)

or failing him/her, ____

(name of proxy as per NRIC, in capital letters) NRIC No. ____________________ (new) ____________________ (old)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/our behalf at the Eighth (8th) Annual General Meeting of the Company to be held at The Auditorium, Level 1, PROTON Centre of Excellence, KM33.8, Westbound Shah Alam Expressway, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia at 10.00 a.m. on Thursday, 15 September 2011 or at any adjournment thereof.

My/Our proxy/proxies is/are to vote as indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
Re-election of Dato' Sri Mohd Nadzmi Bin Mohd Salleh pursuant to Article 104	Ordinary Resolution 1		
Re-election of Datuk Michael Lim Heen Peok pursuant to Article 104	Ordinary Resolution 2		
Re-election of Datuk Johar Bin Che Mat pursuant to Article 111	Ordinary Resolution 3		
Re-election of Datuk Nozirah Binti Bahari pursuant to Article 111	Ordinary Resolution 4		
Re-election of Dato' Haji Syed Zainal Abidin B Syed Mohamed Tahir pursuant to Article 139	Ordinary Resolution 5		
To approve the payment of Directors' Fees for the Financial Year ended 31 March 2011	Ordinary Resolution 6		
To declare and approve the payment of a First and Final Dividend of 10 sen per share less 25% income tax for the Financial Year ended 31 March 2011	Ordinary Resolution 7		
To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary Resolution 8		
SPECIAL BUSINESS			
Proposed amendments to the Company's Articles of Association	Special Resolution 1		

(Please indicate with an "X" in the appropriate box against each resolution, how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

Dated this ______________ day of ____________ 2011.

For appointment of more than one proxy, state number of shares and percentage of shareholdings to be represented by the proxies:-

	No. of Shares	Percentage
Proxy 1	________________	__________ %
Proxy 2	________________	__________ %

____

Signature/Common Seal of Appointer

(If the appointor is an attorney or a corporation, please see Note 2 below)

Contact No: ______________________________

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AFFIX
STAMP

THE SHARE REGISTRAR OF
PROTON HOLDINGS BERHAD (Company No.623177-A)

Tricor Investor Services Sdn. Bhd. (Company No.118401-V)
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia

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Westbound Shah Alam Expressway
47600 Subang Jaya
Selangor Darul Ehsan

Tel: +603 8026 9741
Fax: +603 8026 9744

www.proton.com