

STATUTORY Financial Statements



PROTON Holdings Berhad

c o n t e n t s

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The Directors have pleasure in submitting their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding activities.

The principal activities of the subsidiaries, jointly controlled entities and associated companies are set out in Notes 24 to 26 of the financial statements. There have been no significant changes in the activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after taxation	46,394	111,022
Minority interests	296	—
Net profit attributable to shareholders	46,690	111,022

DIVIDENDS

The amount of dividends paid or declared by the Company since 31 March 2005 were as follows:

	RM'000
In respect of the financial year ended 31 March 2005:	
Final tax exempt dividend of 10.0 sen per ordinary share, paid on 28 October 2005	54,921

The Directors now recommend the payment of a final tax exempt dividend of 5.0 sen per ordinary share on 549,213,002 ordinary shares amounting to RM27,460,650 for the financial year ended 31 March 2006, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

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' Mohammed Azlan bin Hashim	
Syed Zainal Abidin bin Syed Mohamed Tahir	(Appointed on 1.1.2006)
Abdul Jabbar bin Abdul Majid	
Lt Gen (R) Dato' Seri Mohamed Daud bin Abu Bakar	
Badrul Feisal bin Abdul Rahim	
Mohammad Zainal bin Shaari	
Haji Abdul Kadir bin Md Kassim	
Dato' Ahmad bin Hj Hashim	(Appointed on 26.10.2005)
Datuk Kisai bin Rahmat	(Appointed on 1.1.2006)
Dato' Haji Abd. Rahim bin Haji Abdul	(Resigned on 2.9.2005)
Tengku Tan Sri Dr Mahaleel bin Tengku Ariff	(Resigned on 30.9.2005)

In accordance with Article 104 of the Company's Articles of Association, Abdul Jabbar bin Abdul Majid and Dato' Mohammed Azlan bin Hashim, 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, Syed Zainal Abidin bin Syed Mohamed Tahir and Dato' Ahmad bin Hj Hashim retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(2) of the Companies Act 1965, Lt Gen (R) Dato' Seri Mohamed Daud bin Abu Bakar, having attained the age of 70, retires at the forthcoming Annual General Meeting and offers himself for reappointment under Section 129(6) of the Companies Act 1965.

Datuk Kisai bin Rahmat has tendered his resignation with effect from 31 July 2006.

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 income statements and balance sheets 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.

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; 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 Notes 4 and 43 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 their resolution dated 26 July 2006.

DATO' MOHAMMED AZLAN BIN HASHIM

Chairman

SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR

Director

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Revenue	3	7,796,932	8,483,295	111,097	1,488,839
Cost of sales		(6,895,091)	(7,102,493)	—	—
Gross profit		901,841	1,380,802	111,097	1,488,839
Other operating income		230,544	148,572	836	—
Distribution costs		(439,754)	(301,453)	—	—
Administrative expenses		(580,771)	(409,057)	(834)	(1,320)
Other operating expenses		(78,834)	(46,369)	—	(209)
Profit from operations	4	33,026	772,495	111,099	1,487,310
Finance cost	6	(43,878)	(46,192)	—	—
Share of results of associated companies		23,383	39,818	—	—
Share of results of jointly controlled entities					
– operating results		15,541	13,771	—	—
– goodwill impairment charge	26	—	(367,577)	—	—
Profit before taxation		28,072	412,315	111,099	1,487,310
Taxation					
– Company		—	—	(77)	(364,203)
– Subsidiary companies		28,409	43,161	—	—
– Share of taxation in associated companies		(7,093)	(8,396)	—	—
– Share of taxation in jointly controlled entities		(2,994)	(4,638)	—	—
	7	18,322	30,127	(77)	(364,203)
Profit after taxation		46,394	442,442	111,022	1,123,107
Minority interests		296	—	—	—
Net profit attributable to shareholders		46,690	442,442	111,022	1,123,107
Earnings per share (sen)					
– basic	8	8.5	80.6		
– diluted	8	N/A	N/A		

The notes on pages 116 to 174 form part of these financial statements.

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
CURRENT ASSETS					
Inventories	10	1,389,005	967,080	—	—
Trade and other receivables	11	1,142,851	1,348,555	195	4,489
Amounts due from subsidiary companies	12	—	—	68,041	6,315
Amounts due from associated companies	13	4,394	3,554	—	—
Amount due from jointly controlled entities	14	45,285	37,866	—	3,713
Tax recoverable		51,491	13,179	118	—
Short term investments	15	211,965	201,535	—	—
Deposits, bank and cash balances	16	1,585,982	2,454,718	49,835	50,638
		4,430,973	5,026,487	118,189	65,155
CURRENT LIABILITIES					
Trade and other payables	17	1,247,328	1,694,165	2,719	2,517
Provisions	18	217,062	239,888	—	—
Amounts due to subsidiary companies	19	—	—	10,086	13,355
Amounts due to associated companies	20	34,904	5,034	—	—
Amount due to jointly controlled entities	21	20,138	40,395	—	—
Taxation		16,865	2,624	—	—
Short term borrowings	22	804,766	227,921	—	—
		2,341,063	2,210,027	12,805	15,872
NET CURRENT ASSETS		2,089,910	2,816,460	105,384	49,283
NON-CURRENT ASSETS					
Property, plant and equipment	23	3,330,946	3,313,352	—	—
Subsidiary companies	24	—	—	1,465,659	1,465,659
Associated companies	25	155,702	161,963	13,600	17,600
Jointly controlled entities	26	249,963	255,457	—	—
Other long term investments	27	10,397	6,276	6,475	2,475
Deferred tax assets	28	105,786	38,479	—	—
Goodwill	29	29,008	29,008	—	—
		3,881,802	3,804,535	1,485,734	1,485,734

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
NON-CURRENT LIABILITIES					
Long term liabilities	30	100,255	759,639	—	—
Deferred tax liabilities	28	805	1,074	—	—
		101,060	760,713	—	—
		5,870,652	5,860,282	1,591,118	1,535,017
FINANCED BY:					
Share capital	31	549,213	549,213	549,213	549,213
Reserves	32	5,321,439	5,310,736	1,041,905	985,804
SHAREHOLDERS' FUNDS		5,870,652	5,859,949	1,591,118	1,535,017
MINORITY INTERESTS		—	333	—	—
		5,870,652	5,860,282	1,591,118	1,535,017

The notes on pages 116 to 174 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the financial year ended 31 March 2006

	Note	Issued and fully paid ordinary shares		Non-distributable			Distributable	Total RM'000
		Number of shares '000	Nominal value of RM1 each RM'000	Capital reserves RM'000	Goodwill RM'000	Foreign exchange translation RM'000	Retained earnings RM'000	
At 1 April 2004 as previously stated		549,213	549,213	475,617	(359,597)	(69,631)	4,942,385	5,537,987
Effect of change in accounting policy	43	—	—	—	359,597	—	(330,589)	29,008
As restated		549,213	549,213	475,617	—	(69,631)	4,611,796	5,566,995
Currency translation differences		—	—	—	—	(12,185)	—	(12,185)
Net profit attributable to shareholders		—	—	—	—	—	442,442	442,442
Dividend for the financial year ended 31 March 2005 - interim	9	—	—	—	—	—	(137,303)	(137,303)
At 31 March 2005		549,213	549,213	475,617	—	(81,816)	4,916,935	5,859,949
At 1 April 2005 as previously stated		549,213	549,213	475,617	(727,174)	(81,816)	5,615,101	5,830,941
Effect of change in accounting policy	43	—	—	—	727,174	—	(698,166)	29,008
As restated		549,213	549,213	475,617	—	(81,816)	4,916,935	5,859,949
Currency translation differences		—	—	—	—	18,934	—	18,934
Net profit attributable to shareholders		—	—	—	—	—	46,690	46,690
Dividend for the financial year ended 31 March 2005 - final	9	—	—	—	—	—	(54,921)	(54,921)
At 31 March 2006		549,213	549,213	475,617	—	(62,882)	4,908,704	5,870,652

The notes on pages 116 to 174 form part of these financial statements.

	Note	Issued and fully paid ordinary shares		Distributable	Total RM'000
		Number of shares '000	Nominal value of RM1 each RM'000	Retained earnings RM'000	
At 1 April 2004		*	#	—	#
Ordinary share issued		549,213	549,213	—	549,213
Net profit attributable to shareholders		—	—	1,123,107	1,123,107
Dividend for the financial year ended 31 March 2005 - interim		—	—	(137,303)	(137,303)
At 31 March 2005		549,213	549,213	985,804	1,535,017
At 1 April 2005		549,213	549,213	985,804	1,535,017
Net profit attributable to shareholders		—	—	111,022	111,022
Dividend for the financial year ended 31 March 2005 - final	9	—	—	(54,921)	(54,921)
At 31 March 2006		549,213	549,213	1,041,905	1,591,118

* Number of share issued is 2 units.

Nominal value of share issued is RM2.

The notes on pages 116 to 174 form part of these financial statements.

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit after taxation		46,394	442,442	111,022	1,123,107
Adjustments for:					
Taxation		(18,322)	(30,127)	77	364,203
Property, plant and equipment:					
- depreciation		351,409	312,428	—	—
- written off		82,857	135,643	—	—
- impairment		5,066	1,879	—	—
- (gain)/loss on disposal		(218)	23,713	—	—
Allowance for inventories write down		46,865	18,527	—	—
Interest expense		43,878	46,192	—	—
Interest income		(67,388)	(87,910)	(588)	—
Share of results of associated companies		(23,383)	(39,818)	—	—
Share of results of jointly controlled entities		(15,541)	(13,771)	—	—
Impairment of investment in associated company		—	22,000	—	—
Impairment of goodwill		—	367,577	—	—
(Write back)/diminution in value of short term investments		(7,202)	7,202	—	—
Gain on disposal of short term investments		(2,664)	(11,106)	—	—
Loss on dilution in interest of associated company		48	—	—	—
Allowance for doubtful debts		117,923	9,983	—	—
Unrealised foreign exchange (gain)/loss		(20,365)	(6,208)	—	224
Provision for warranties (net of expected reimbursement)		81,314	55,645	—	—
Dividend-in-specie		—	—	—	(1,300,724)
Dividend income		(9,525)	(9,178)	(111,097)	(188,115)
Operating profit before working capital changes		611,146	1,245,113	(586)	(1,305)

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Inventories		(468,790)	(184,016)	—	—
Receivables					
– trade and other receivables		45,479	(441,182)	4,294	(4,713)
– subsidiary companies		—	—	(61,726)	(6,315)
– associated companies and jointly controlled entities		(8,259)	(35,488)	3,713	(3,713)
Payables					
– trade and other payables		(420,151)	233,318	222	2,517
– provisions for liabilities and charges		(90,151)	(87,706)	—	—
– subsidiary companies		—	—	(3,269)	13,355
– associated companies and jointly controlled entities		9,613	9,639	—	—
Cash generated from operations		(321,113)	739,678	(57,352)	(174)
Taxation paid		(62,687)	(53,696)	(98)	—
Interest received		76,835	94,704	568	—
Interest paid		(40,505)	(43,844)	—	—
Net cash flow (used in)/from operating activities		(347,470)	736,842	(56,882)	(174)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(478,451)	(895,206)	—	—
Additional investment in jointly controlled entities		—	(510,232)	—	—
Purchase of short term investments		(207,817)	(222,128)	—	—
Proceeds from disposal of short term investments		207,253	206,477	—	—
Proceeds from disposal of property, plant and equipment		15,816	17,447	—	—
Dividends received		42,452	32,069	111,000	188,115
Redemption of preference shares in an associated company		—	4,000	—	—
Net cash flow (used in)/from investing activities		(420,747)	(1,367,573)	111,000	188,115

	Note	Group		Company	
		2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(54,921)	(137,303)	(54,921)	(137,303)
Contribution by minority interest		—	333	—	—
Proceeds from short term borrowings		326,582	778,353	—	—
Proceeds from new term loan		—	344,155	—	—
Repayment of term loans		(54,436)	(52,342)	—	—
Finance lease and hire purchase instalments paid		—	(10)	—	—
Repayment of short term borrowings		(326,688)	(777,177)	—	—
Fixed deposits pledged as security	39	(11,123)	(396,838)	—	—
Net cash flows used in financing activities		(120,586)	(240,829)	(54,921)	(137,303)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(888,803)	(871,560)	(803)	50,638
EXCHANGE RATE EFFECTS		5,070	513	—	—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		1,576,925	2,447,972	50,638	—
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	39	693,192	1,576,925	49,835	50,638

The notes on pages 116 to 174 form part of these financial statements.

1 GENERAL INFORMATION

The Company is principally involved in investment holding activities.

The principal activities of the subsidiaries, jointly controlled entities and associated companies are set out in Notes 24 to 26 to the financial statements. There have been no significant changes in the activities of the Group and the Company during the financial year.

The Company was incorporated as a limited liability company, and is domiciled in Malaysia.

There were 11,159 (2005: 10,300) employees in the Group and no employee (2005: Nil) in the Company at the end of the financial year. The Company is managed by employees of Perusahaan Otomobil Nasional Sdn. Bhd.

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

HICOM Industrial Estate
Batu Tiga
40000 Shah Alam
Selangor Darul Ehsan
Malaysia

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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.

The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The preparation of financial statements in conformity with MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions 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. These estimates are based on the Directors' best knowledge of current events and actions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

(i) *Subsidiary companies*

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries (as disclosed in Note 24), which were accounted for using the merger method arising from internal group reorganisation as defined in FRS 122 ⁽²⁰⁰⁴⁾: 'Business Combinations', where:

- the ultimate shareholders remain the same, and the rights of each shareholder, relative to other are unchanged; and
- the minorities' share of net assets of the Group are not altered by the transfer.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the financial year are included from the date of acquisition up to the date of disposal. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiaries acquired at the date of acquisition is reflected as goodwill.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial periods. The cost of investment in a merger is recorded at the aggregate of the nominal value of equity shares issued, cash and cash equivalents and fair value of other consideration. On consolidation, the difference between the carrying value of the investment over the nominal value of the share acquired, if any, is taken to a non-distributable merger reserve or merger deficit.

Investments in subsidiaries 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. Refer to accounting policy Note 2(u) on impairment of assets.

(ii) *Associated companies*

Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies. Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

(ii) *Associated companies (continued)*

The consolidated income statement includes the Group's share of results of the associated companies based on its latest audited financial statements or management financial statements of the companies concerned.

In the consolidated balance sheet, the Group's interest in the associated companies is stated at cost plus the Group's share of post acquisition results and reserves.

Investments in associates 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. Refer to accounting policy Note 2(u) on impairment of assets.

(iii) *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. The Group's interests in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting.

The consolidated income statement includes the Group's share of results of the jointly controlled entities based on its latest audited financial statements or management financial statements of the companies concerned.

In the consolidated balance sheet, the Group's interest in the jointly controlled entities is stated at cost plus the Group's share of post acquisition results and reserves.

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. Refer to accounting policy Note 2(u) on impairment of assets.

(c) Investments

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the financial year in which the decline is identified. Refer to accounting policy Note 2(u) on impairment of assets.

Short-term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of short term investments are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Goodwill**

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of subsidiary and associated companies and jointly controlled entities at the date of acquisition.

In prior financial years, goodwill on acquisition was written off and set off against reserves in the year of acquisition. In the current year, the Directors made the decision to change the accounting policy to recognise goodwill as an asset subject to annual impairment review (Refer to accounting policy Note 2(u) on impairment of assets). The Directors believe that this change in policy will result in better presentation of the financial statements and is in the line with developments in international standards on goodwill, namely FRS 3 'Business Combinations' as it relates to goodwill accounting. The effect of the change in policy is detailed in Note 43 to the financial statements.

(e) Property, plant and equipment

A piece of freehold land held by a subsidiary company is stated at Directors' valuation based on a 1983 independent professional valuation of the open market value of the land on existing use basis. The surplus arising on revaluation was credited directly to capital reserves and subsequently utilised. This valuation has not been updated.

All other land held by the Group are stated at cost. Freehold land and work in progress are not amortised. All long leasehold land are amortised over the period of their lease term.

All other property, plant and equipment except for dies and jigs included under plant and machinery, held by the Group are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis to write off the costs of the assets over the term of their estimated useful lives. Where an indication of impairment exists, the carrying amount of the assets is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 2(u) on impairment of assets.

The principal annual rates of depreciation used are as follows:

Long leasehold land	Over period of lease term of 98 years
Buildings	2% – 5%
Plant and machinery	10% – 50%
Office equipment, furniture, fittings and vehicles	10% – 50%

Dies and jigs, included under plant and machinery are depreciated based on the unit of production basis to write off the cost of the assets over the term of their estimated useful lives which range from 5 to 6 years.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Land and development expenditure

Land and development expenditure consists of land held for development and related development costs common to projects. Developed land is stated at the lower of cost and net realisable value.

All expenditure incurred on uncompleted projects are capitalised and are included in the balance sheet as development expenditure.

Upon completion of the projects, land and related development cost are reclassified as apartments for sale.

(g) Leases

Finance leases are leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership.

Property, plant and equipment acquired under finance leases are included in tangible property, plant and equipment and are amortised in accordance with Note 2(e) above. Obligations under such agreements are treated as a liability and finance charges are allocated to the income statement over the lease periods to give a constant periodic rate of interest on the remaining lease liabilities.

Operating leases are leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

In the case of work-in-progress and finished vehicles, an appropriate proportion of production overheads are included in the costs.

(i) Trade and other receivables

Trade and other receivables are carried at anticipated net realisable value. Allowances are made for doubtful debts based on specific review of outstanding balances at balance sheet date. General allowances are made to cover possible losses that are not specifically identified. Bad debts are written off to the income statement during the financial year in which they are identified.

(j) Research and development expenditure

Research and development expenditure is recognised as an expense when incurred. Costs incurred on development projects are capitalised to the extent that such expenditure is reasonably certain to generate future economic benefits. Expenditure that have been capitalised are depreciated over the useful lives of the product. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

Provision for warranties

Provision is made for the estimated liability on all products under warranty in addition to claims already received. 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.

(l) 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 income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Defined benefit plans

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet 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 balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries on the basis of triennial valuations. 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 specified in FRS 119 (2004).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) *Post employment benefits (continued)*

Defined benefit plans (continued)

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119 (2004) and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Upon initial adoption of FRS 119 (2004) effective on 1 April 2003, the increase in defined benefit liability is recognised as an expense on a straight-line basis over 5 years in accordance with the transitional provision of the Standard.

(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 balance sheet date are discounted to present value.

(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 to companies in the Group.

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 subsidiaries, associates and joint ventures 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.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(n) Foreign currency transactions and translation**

Transactions in foreign currencies during the financial year are translated into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

Results of foreign subsidiary and associated companies are translated into Ringgit Malaysia at average rates of exchange for the financial year. Assets and liabilities are translated into Ringgit Malaysia, at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the results for the financial year at average rates and assets and liabilities at year end rates and the restatement at year end rates of the opening net investments in foreign subsidiary and associated companies are taken to a foreign exchange translation account as a component of shareholders' funds.

The principal closing rates used in translation of foreign currency amounts were as follows:

Foreign currency	31.3.2006 RM	31.3.2005 RM
1 USD	3.69	3.80
1 GBP	6.43	7.14
1 AUD	2.64	2.93
1 EURO	4.48	4.92
100 JPY	3.14	3.54

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, bank deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

(p) Revenue recognition

Revenue from sales of vehicles, spare parts and accessories are recognised upon delivery.

Revenue from sale of completed apartments is recognised when the Sale and Purchase Agreements are signed.

Revenue for rendering of 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 prepayments to recognise timing differences arising between amounts invoiced and amounts recognised in the income statement on individual engineering contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

Other revenue comprises mainly revenue from rental and royalty, which are recognised on an accrual basis.

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

(q) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(iii) Financial instruments not recognised on the balance sheet

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts which are no longer designated as hedges are included in the income statement.

(iv) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Financial instruments (continued)

(iv) Fair value estimation for disclosure purposes (continued)

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Unquoted long term investments are valued based on quoted investments with similar features. The fair value for long term debts is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities classified as current are assumed to approximate their fair values.

(r) Borrowings

Classification

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 income statement over the period of the borrowings.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Capitalisation of borrowings cost

Borrowings cost incurred on specific and identifiable borrowings used to finance property development and construction contract is capitalised until the properties are ready for their intended use.

(s) Share capital

Ordinary shares are classified as equity. External cost directly attributable to the issue of new shares are expensed off in the income statement.

Final dividends payable on ordinary shares are recognised as liabilities when formally approved.

(t) Contingent liabilities and contingent assets

The Group does 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets

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 the higher of an asset's net selling price and value in use. 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 income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

3 REVENUE

Revenue represents the invoiced value of goods sold and services provided and is net of commission paid to dealers and related taxes. Revenue comprises:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of vehicles, spare parts and accessories	7,645,963	8,141,045	—	—
Gross dividend income	—	—	111,097	1,488,839
Rendering of services	142,957	333,493	—	—
Others	8,012	8,757	—	—
	7,796,932	8,483,295	111,097	1,488,839

4 PROFIT FROM OPERATIONS

	Group		Company	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
The following items have been charged/(credited) in arriving at profit from operations:				
- Gross dividends receivable from:				
- subsidiary company, unquoted being dividend-in-specie	—	—	—	(1,300,724)
- subsidiary company, unquoted	—	—	(109,843)	(187,303)
- associated companies, unquoted	—	—	(1,254)	(812)
- others, quoted	(9,525)	(8,136)	—	—
- others, unquoted	—	(1,042)	—	—
Property, plant and equipment:				
- depreciation	351,409	312,428	—	—
- written off	82,857	135,643	—	—
- impairment	5,066	1,879	—	—
- (gain)/loss on disposal	(218)	23,713	—	—
Research and development expenditure	271,661	347,193	—	—
Provision for warranties (net of expected reimbursement)	81,314	55,645	—	—
Allowance for doubtful debts	117,923	9,983	—	—
Impairment of investment in associated companies	—	22,000	—	—
Impairment of goodwill	—	367,577	—	—
(Write back)/diminution in value of short term investments	(7,202)	7,202	—	—
Loss on disposal of a jointly controlled entity	5,113	—	—	—
Gain on disposal of short term investments	(2,664)	(11,106)	—	—
Group audit fees to PricewaterhouseCoopers				
- Malaysia – current year	514	572	87	105
- underprovision of prior year	200	—	—	—
- firms of worldwide organisation	966	1,217	—	—
Non-audit service fees to PricewaterhouseCoopers				
- Malaysia	1,934	87	—	—
- firms of worldwide organisation	362	1,682	—	—
Operating lease rental	7,644	3,956	—	—
Hire of plant, machinery and equipment	—	580	—	—
Rental of premises	12,722	21,044	—	—
Foreign exchange (gain)/loss:				
- transactions	(3,695)	(2,238)	(223)	(15)
- translation	(20,365)	(6,208)	—	224
Rental income on land and buildings	(1,307)	(383)	—	—
Interest income	(67,388)	(87,910)	(588)	—
Allowance for inventories write down	46,865	18,527	—	—
Recovery of insurance claims on Medium Volume Factory Fire	(46,737)	—	—	—

5 STAFF COST

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages, salaries and bonuses	501,823	590,051	180	707
Termination benefits	1,839	28,680	—	—
Pension cost				
– defined contribution plan	31,818	19,749	—	—
– defined benefit plan	45,065	22,551	—	—
Other employee benefits	58,874	45,568	16	91
Reversal of overprovision of defined benefit plan	—	(22,052)	—	—
	639,419	684,547	196	798

Prior to 31 March 2002, retirement benefit contributions by a subsidiary company were paid to the Hicom Retirement Benefit Scheme, an approved independent fund. With effect from 1 April 2002, the subsidiary converted the defined benefit scheme to a defined contribution plan with the Employees Provident Fund ('EPF'). Accrued benefits under the earlier scheme were transferred to the EPF.

As at 31 March 2002, the shortfall in the defined scheme was estimated by the subsidiary. The actual shortfall was determined in the previous financial year, resulting in the reversal of over provisions previously made.

Directors' remuneration

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

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-executive Directors:				
– fees	514	500	514	412
– estimated money value of benefits-in-kind	24	40	24	32
– other employee benefits	178	—	178	—
Executive Directors:				
– salaries and bonuses	955	707	180	707
– estimated money value of benefits-in-kind	57	15	16	15
– other employee benefits	128	76	—	76
	1,856	1,338	912	1,242

Details of the defined contribution and defined benefit plans of the Group and Company are set out in Note 33.

6 FINANCE COST

	Group	
	2006 RM'000	2005 RM'000
Interest expense on:		
Long term loans	29,105	26,512
Short term borrowings	13,791	18,117
Others	982	1,563
	43,878	46,192

Included in other operating income of the Group is interest income amounting to RM67,388,000 (2005: RM87,910,000).

7 TAXATION

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Taxation in Malaysia</u>				
Current taxation:				
– charge for the financial year	35,557	96,175	169	364,203
– under/(over) accrual in respect of prior years	2,005	(152,480)	(92)	—
Taxation on share of profits of associated companies	2,798	2,270	—	—
Taxation on share of profits of jointly controlled entities	2,454	4,027	—	—
<u>Taxation outside Malaysia</u>				
Current taxation:				
– charge for the financial year	2,173	2,074	—	—
– (over)/under accrual in respect of prior years	(568)	2,941	—	—
Taxation on share of profits of associated companies	4,295	6,126	—	—
Taxation on share of profits of jointly controlled entities	540	611	—	—
<u>Deferred taxation (Note 28)</u>				
Origination and reversal of temporary differences	(67,576)	8,129	—	—
	(18,322)	(30,127)	77	364,203

7 TAXATION (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Total</u>				
Taxation for Company and subsidiaries	(28,409)	(43,161)	77	364,203
Share of taxation in associated companies	7,093	8,396	—	—
Share of taxation in jointly controlled entities	2,994	4,638	—	—
	(18,322)	(30,127)	77	364,203

Numerical reconciliation between the average effective tax rate and the Malaysian tax rate.

	Group		Company	
	2006 %	Restated 2005 %	2006 %	2005 %
Malaysian tax rate	28	28	28	28
Tax effects of:				
- double deduction and allowance incentive on qualified expenditure	(249)	(30)	—	—
- expenses not deductible for tax purposes	139	33	—	—
- income not subject to tax	(91)	(2)	(28)	(4)
- current year tax losses not recognised	101	2	—	—
- under/(over) accrual in respect of prior years	5	(34)	—	—
- others	2	(4)	—	—
Average effective tax rate	(65)	(7)	—	24

7 TAXATION (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Disclosure items:				
Current year tax losses utilised during the financial year	1,057	2,864	—	—
Tax savings arising from such tax losses	298	858	—	—
Previously unrecognised tax losses utilised during the financial year				
Previously unrecognised tax losses utilised during the financial year	6,675	5,014	—	—
Tax savings arising from such tax losses	1,869	1,467	—	—
Unutilised tax losses carried forward	614,461	803,175	—	—
Unutilised reinvestment allowance	1,421,028	1,118,500	—	—

8 EARNINGS PER SHARE

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

	Group	
	2006	Restated 2005
Net profit attributable to shareholders (RM'000)	46,690	442,442
Weighted average number of ordinary shares in issue ('000)	549,213	549,213
Basic earnings per share (sen)	8.5	80.6

Diluted earnings per share is not presented in the financial statements since there are no dilutive potential ordinary shares.

9 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 March 2006 are as follows:

	Group	
	2006 RM'000	2005 RM'000
Final dividend proposed for the financial year ended 31 March 2006:		
Tax exempt dividend of 5.0 sen (2005: 10.0 sen) per ordinary share	27,461	54,921
Interim dividend paid for the financial year ended 31 March 2006:		
RM Nil (2005: tax exempt dividend of 25.0 sen) per ordinary share	—	137,303
	27,461	192,224

At the forthcoming Annual General Meeting, a final gross dividend of 5.0 sen per share (tax exempt) amounting to RM27,461,000 will be proposed for shareholders' approval. The financial statements do not reflect this final dividend, which will only be accrued as a liability when approved by shareholders.

10 INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
<u>At cost</u>		
Raw materials:		
– completely knocked-down packs of vehicles	262,996	155,635
– others	148,174	111,986
Parts, accessories and general stores	91,139	87,393
Work-in-progress	102,933	102,209
Finished vehicles	651,574	389,709
Goods-in-transit	65,988	36,604
Apartments for sale	171	9,482
Balance carried forward	1,322,975	893,018

10 INVENTORIES (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
Balance brought forward	1,322,975	893,018
<u>At net realisable value</u>		
Raw materials:		
– completely knocked-down packs of vehicles	1,924	2,492
Parts, accessories and general stores	118	1,718
Finished vehicles	47,357	58,709
Apartments for sale	16,631	11,143
	66,030	74,062
	1,389,005	967,080

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	969,300	1,067,824	—	—
Allowance for doubtful debts	(52,662)	(19,861)	—	—
	916,638	1,047,963	—	—
Other receivables	143,778	118,790	195	45
Allowance for doubtful debts	(86,333)	(1,211)	—	—
	57,445	117,579	195	45
Warranty claims recoverable (Note 18)	125,835	146,261	—	—
Prepayments	28,709	23,796	—	4,444
Deposits	14,224	12,956	—	—
	1,142,851	1,348,555	195	4,489

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The currency exposure profile of trade and other receivables are as follows:

	Currency exposure at 31.3.2006					
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Others RM'000	Total RM'000
Group						
<u>Functional currency</u>						
Ringgit Malaysia	958,916	113	60,673	3,697	249	1,023,648
Pound Sterling	—	61,349	14,459	14,015	8,964	98,787
Others	—	—	270	4	20,142	20,416
	958,916	61,462	75,402	17,716	29,355	1,142,851

Company

Functional currency

Ringgit Malaysia	195	—	—	—	—	195
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	Currency exposure at 31.3.2005					
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Euro RM'000	Others RM'000	Total RM'000
Group						
<u>Functional currency</u>						
Ringgit Malaysia	1,034,819	—	62,629	91,649	13,607	1,202,704
Pound Sterling	—	58,352	31,500	23,858	10,838	124,548
Others	—	—	—	5	21,298	21,303
	1,034,819	58,352	94,129	115,512	45,743	1,348,555

Company

Functional currency

Ringgit Malaysia	45	—	—	—	4,444	4,489
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11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit terms of trade receivable for the Group ranges from 14 days to 360 days (2005: 14 days to 360 days). However, the majority of the Group trade receivables have a credit term between 14 days to 60 days (2005: 14 days to 60 days).

Group sales are concentrated in Malaysia with one major third party customer in Malaysia making up 31% (2005: 28%) of total Group revenue.

12 AMOUNTS DUE FROM SUBSIDIARY COMPANIES

The amounts due from subsidiary companies are denominated in Ringgit Malaysia, interest free and has no fixed terms of payment.

13 AMOUNTS DUE FROM ASSOCIATED COMPANIES

The amounts due from associated companies arose from normal trade transactions. These amounts have credit terms ranging from 30 to 60 days (2005: 30 to 60 days).

	Currency exposure at 31.3.2006		
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
<i>Functional currency</i>			
Ringgit Malaysia	3,043	—	3,043
Pound Sterling	—	1,351	1,351
	3,043	1,351	4,394

	Currency exposure at 31.3.2005		
	Ringgit Malaysia RM'000	Pound Sterling RM'000	Total RM'000
Group			
<i>Functional currency</i>			
Ringgit Malaysia	1,784	—	1,784
Pound Sterling	—	1,770	1,770
	1,784	1,770	3,554

14 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amounts due from jointly controlled entities	45,285	17,937	—	3,713
Advances to a jointly controlled entity	—	19,929	—	—
	45,285	37,866	—	3,713

The amounts due from jointly controlled entities arose from normal trade transactions. These amounts have credit terms ranging from 30 to 45 days (2005: 30 to 45 days).

Advances to a jointly controlled entity in 2005 were due within 180 days and interest of 7.23% was charged.

	Currency exposure at 31.3.2006				Total RM'000
	Ringgit Malaysia RM'000	Euro RM'000	Japanese Yen RM'000	US Dollar RM'000	
Group					
Functional currency					
Ringgit Malaysia	45,198	74	—	—	45,272
Pound Sterling	—	13	—	—	13
	45,198	87	—	—	45,285

	Currency exposure at 31.3.2005				Total RM'000
	Ringgit Malaysia RM'000	Euro RM'000	Japanese Yen RM'000	US Dollar RM'000	
Group					
Functional currency					
Ringgit Malaysia	9,512	—	3,713	4,712	17,937
Pound Sterling	—	19,929	—	—	19,929
	9,512	19,929	3,713	4,712	37,866

Company

The amount due from a jointly controlled entity in the previous financial year was denominated in Japanese Yen.

15 SHORT TERM INVESTMENTS

	Group	
	2006 RM'000	2005 RM'000
<u>Quoted investments in Malaysia:</u>		
Cost:		
Shares	116,736	120,177
Commercial paper and corporate debt	584	584
	117,320	120,761
<u>Unquoted investments in Malaysia:</u>		
Cost:		
Commercial paper and corporate debt	94,645	87,976
	211,965	208,737
Allowance for diminution in value	—	(7,202)
	211,965	201,535
<u>Market value of investments:</u>		
Shares	121,868	112,975
Commercial paper and corporate debt	98,996	91,898
	220,864	204,873

16 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short term funds deposited with:				
Licensed banks	1,168,787	2,063,539	49,000	—
Discount houses	227,470	112,816	—	—
Other financial institutions	57,465	48,268	—	—
	1,453,722	2,224,623	49,000	—
Bank and cash balances	132,260	230,095	835	50,638
	1,585,982	2,454,718	49,835	50,638

Included in deposits are fixed deposits of RM716,841,000 (2005: RM705,718,000) pledged as restricted cash security the term loans obtained by subsidiary companies as explained in Note 30(b).

The deposits have the following maturity profiles:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
0 – 1 month	626,287	558,172	49,000	—
2 – 3 months	83,386	113,724	—	—
4 – 6 months	90,500	90,932	—	—
6 – 12 months	353,549	1,161,795	—	—
More than 12 months	300,000	300,000	—	—
	1,453,722	2,224,623	49,000	—

Bank balances are deposits held at call with banks.

16 DEPOSITS, BANK AND CASH BALANCES (CONTINUED)

The currency exposure profile of deposits, bank and cash balances are as follows:

	Currency exposure at 31.3.2006					
	Ringgit	Pound	US	Australian	Others	Total
	Malaysia RM'000	Sterling RM'000	Dollar RM'000	Dollar RM'000		
Group						
<u>Functional currency</u>						
Ringgit Malaysia	1,483,290	1,312	15,549	789	4,057	1,504,997
Pound Sterling	—	14,807	10,154	—	2,992	27,953
Australian Dollar	—	—	—	34,570	—	34,570
Others	—	—	—	—	18,462	18,462
	1,483,290	16,119	25,703	35,359	25,511	1,585,982

	Currency exposure at 31.3.2005					
	Ringgit	Pound	US	Australian	Others	Total
	Malaysia RM'000	Sterling RM'000	Dollar RM'000	Dollar RM'000		
Group						
<u>Functional currency</u>						
Ringgit Malaysia	2,193,509	69,599	17,956	26,312	17,788	2,325,164
Pound Sterling	—	62,123	22,533	—	6,756	91,412
Australian Dollar	—	—	—	18,838	—	18,838
Others	—	—	—	—	19,304	19,304
	2,193,509	131,722	40,489	45,150	43,848	2,454,718

Deposits, bank and cash balances in the Company as at 31 March 2006 and 2005 are denominated in Ringgit Malaysia.

The weighted average effective interest rates of deposits at the balance sheet date were 3.10% (2005: 2.87%) per annum for the Group and 2.73% (2005: Not applicable) for the Company.

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	250,129	461,026	617	381
Other payables	350,118	204,957	2,102	2,136
Accruals	625,743	1,028,178	—	—
Amounts due to related parties	21,338	—	—	—
Leasing and hire purchase creditors - current portion	—	4	—	—
	1,247,328	1,694,165	2,719	2,517

The currency exposure profile of the trade and other payables are as follows:

	Currency exposure at 31.3.2006					
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Group						
<u>Functional currency</u>						
Ringgit Malaysia	960,123	4,514	16,678	28,133	95,767	1,105,215
Pound Sterling	—	103,949	15,371	1,273	8,641	129,234
Others	—	—	357	—	12,522	12,879
	960,123	108,463	32,406	29,406	116,930	1,247,328
Company						
<u>Functional currency</u>						
Ringgit Malaysia	2,658	—	—	—	61	2,719

17 TRADE AND OTHER PAYABLES (CONTINUED)

	Currency exposure at 31.3.2005 (Restated)					Total RM'000
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Japanese Yen RM'000	Others RM'000	
Group						
<u>Functional currency</u>						
Ringgit Malaysia	1,289,762	894	87,196	40,413	34,384	1,452,649
Pound Sterling	—	204,434	14,750	129	12,017	231,330
Others	—	—	—	—	10,186	10,186
	1,289,762	205,328	101,946	40,542	56,587	1,694,165
Company						
<u>Functional currency</u>						
Ringgit Malaysia	845	48	10	1,418	196	2,517

Terms of trade payables granted to the Group and Company varies up to 60 days (2005: 60 days) credit days and no credit (2005: Not applicable) respectively.

18 PROVISIONS

	Group Warranties	
	2006 RM'000	2005 RM'000
At 1 April	239,888	237,636
Exchange differences	(5,043)	1,315
Charged to income statement	81,314	55,645
Warranties receivable	(8,946)	33,473
Additional provision for the financial year	72,368	89,118
Utilised during the financial year	(90,151)	(88,181)
At 31 March	217,062	239,888

The Group expects to receive reimbursement from suppliers in respect of warranties amounting to RM125,835,000 (2005: RM146,261,000) as disclosed in Note 11.

19 AMOUNTS DUE TO SUBSIDIARY COMPANIES

Amounts due to subsidiary companies are unsecured, denominated in Ringgit Malaysia, interest free and have no fixed repayment terms.

20 AMOUNTS DUE TO ASSOCIATED COMPANIES

Amounts due to associated companies arose from normal trade transactions, denominated in Ringgit Malaysia and are payable within 60 days.

21 AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

Amounts due to jointly controlled entities arose from normal trade transactions and are due between 30 days to 45 days (2005: 30 days to 45 days).

The currency exposure profile of the amounts due to jointly controlled entities is as follows:

	Currency exposure at 31.3.2006			
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Total RM'000
Group				
Functional currency				
Ringgit Malaysia	20,063	75	—	20,138

	Currency exposure at 31.3.2005			
	Ringgit Malaysia RM'000	Pound Sterling RM'000	US Dollar RM'000	Total RM'000
Group				
Functional currency				
Ringgit Malaysia	39,097	596	—	39,693
Others	—	—	702	702
	39,097	596	702	40,395

22 SHORT TERM BORROWINGS

	Group	
	2006 RM'000	2005 RM'000
<u>Unsecured:</u>		
Long term loan		
– current portion (Note 30)	56,613	54,436
Bankers acceptance	1,304	1,410
Bank overdrafts	58,260	172,075
	116,177	227,921
<u>Secured:</u>		
Bank Overdrafts	117,689	—
Long term loan – current portion (Note 30)	570,900	—
	688,589	—
	804,766	227,921

The interest rate charged for bank overdrafts during the financial year ranged from 5.50% to 6.86% (2005: 5.50% to 6.83%) per annum.

The bankers acceptance was drawn in Ringgit Malaysia and payable within 60 days. No interest was charged to the amount drawn (2005: Nil).

The currency exposure profile of the short-term borrowings is as follows:

	Currency exposure at 31.3.2006					
	Ringgit Malaysia RM'000	Pound Sterling RM'000	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group						
<u>Functional currency</u>						
Ringgit Malaysia	57,917	—	—	313,740	—	371,657
Pound Sterling	—	332,193	67,504	5,169	28,243	433,109
	57,917	332,193	67,504	318,909	28,243	804,766

22 SHORT TERM BORROWINGS (CONTINUED)

	Currency exposure at 31.3.2005				
	Ringgit Malaysia RM'000	Pound Sterling RM'000	USD RM'000	Others RM'000	Total RM'000
Group					
Functional currency					
Ringgit Malaysia	55,846	—	—	—	55,846
Pound Sterling	—	106,653	52,705	12,717	172,075
	55,846	106,653	52,705	12,717	227,921

23 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land		Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, and fittings and vehicles RM'000	Work-in- progress RM'000	Total RM'000
		Freehold RM'000	Long term leasehold RM'000					
2006								
Cost/valuation								
At 1 April 2005		243,464	12,045	1,181,676	3,718,608	1,014,993	468,451	6,639,237
Currency translation differences		(1,525)	(106)	(20,977)	(23,401)	(19,405)	(137)	(65,551)
Additions		14,070	—	5,626	14,041	69,766	374,948	478,451
Disposals		—	(950)	(8,840)	(6,887)	(29,565)	(114)	(46,356)
Written off		—	—	—	(12,656)	(6,217)	(77,034)	(95,907)
Reclassification		—	—	122,349	392,706	82,203	(597,258)	—
At 31 March 2006		256,009	10,989	1,279,834	4,082,411	1,111,775	168,856	6,909,874

23 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land		Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, fittings and vehicles RM'000	Work-in- progress RM'000	Total RM'000
		Freehold RM'000	Long term leasehold RM'000					
2006								
<u>Accumulated depreciation</u>								
At 1 April 2005		—	821	331,834	2,090,916	576,354	—	2,999,925
Currency translation differences		—	—	(4,250)	(13,383)	(9,530)	—	(27,163)
Charge for the financial year		—	112	19,702	205,133	126,462	—	351,409
Disposals		—	—	(2,156)	(4,989)	(13,866)	—	(21,011)
Written off		—	—	—	(6,835)	(6,215)	—	(13,050)
At 31 March 2006		—	933	345,130	2,270,842	673,205	—	3,290,110
<u>Accumulated impairment losses</u>								
At 1 April 2005		14,879	1,056	158,616	89,079	62,330	—	325,960
Currency translation differences		(1,497)	(106)	(15,916)	(8,827)	(6,115)	—	(32,461)
Charge for the financial year		289	—	2,699	2,062	16	—	5,066
Disposals		—	(950)	(6,686)	(1,878)	(233)	—	(9,747)
At 31 March 2006		13,671	—	138,713	80,436	55,998	—	288,818
<u>Net book value</u>								
At 31 March 2006		242,338	10,056	795,991	1,731,133	382,572	168,856	3,330,946

23 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land		Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, and fixtures and vehicles RM'000	Work-in- progress RM'000	Total RM'000
		Freehold RM'000	Long term leasehold RM'000					
2005								
<u>Cost/valuation</u>								
At 1 April 2004		241,914	12,015	1,186,424	3,390,743	855,213	307,195	5,993,504
Currency translation differences		431	30	6,070	7,244	5,137	5	18,917
Additions		1,148	—	4,102	18,149	60,648	811,159	895,206
Disposals		(29)	—	(14,929)	(99,191)	(14,536)	—	(128,685)
Written off		—	—	—	(273)	(3,796)	(135,636)	(139,705)
Capitalisation of work-in-progress		—	—	9	401,936	112,327	(514,272)	—
At 31 March 2005		243,464	12,045	1,181,676	3,718,608	1,014,993	468,451	6,639,237
<u>Accumulated depreciation</u>								
At 1 April 2004		—	723	315,242	1,961,218	489,262	—	2,766,445
Currency translation differences		—	—	1,307	4,591	2,688	—	8,586
Charge for the financial year		—	98	19,921	197,192	95,217	—	312,428
Disposals		—	—	(4,636)	(71,824)	(8,159)	—	(84,619)
Written off		—	—	—	(261)	(2,654)	—	(2,915)
At 31 March 2005		—	821	331,834	2,090,916	576,354	—	2,999,925

23 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land		Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture, fittings and vehicles RM'000	Work-in- progress RM'000	Total RM'000
		Freehold RM'000	Long term leasehold RM'000					
2005								
<u>Accumulated impairment losses</u>								
At 1 April 2004		14,448	1,025	156,585	85,186	61,408	—	318,652
Currency translation differences		431	31	4,672	2,541	1,795	—	9,470
Charge for the financial year		—	—	253	1,358	268	—	1,879
Disposals		—	—	(2,894)	—	—	—	(2,894)
Written off		—	—	—	(6)	(1,141)	—	(1,147)
At 31 March 2005		14,879	1,056	158,616	89,079	62,330	—	325,960
<u>Net book value</u>								
At 31 March 2005		228,585	10,168	691,226	1,538,613	376,309	468,451	3,313,352

A piece of a subsidiary company's freehold land was revalued on 5 September 1983 based on an independent professional valuation. The surplus of RM36,881,980 arising on the revaluation was credited to the capital reserves and subsequently utilised.

Had the 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 (2005: RM22,448,000).

The long term leasehold land comprise 2 parcels of land held by certain subsidiary companies which have unexpired leases of 91 and 70 years respectively as at 31 March 2006 (2005: 92 and 71 years respectively). A leasehold land with unexpired lease period of 137 years was disposed during the year.

The title deed to the land of the Group amounting to net book value of RM72,258,000 (2005: RM52,260,000) has not been transferred pending subdivision of the master title.

24 SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Unquoted shares at cost:		
At 1 April	1,465,659	*
Acquisition of subsidiary companies	—	1,465,659
At 31 March	1,465,659	1,465,659

* The cost of investment in subsidiary companies is RM8.

The details of the subsidiary companies are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Perusahaan Otomobil Nasional Sdn. Bhd.^	Manufacture, assemble and sale 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%
Proton Capital Sdn. Bhd.	Investment holding	Malaysia	100%	100%
Subsidiary of Perusahaan Otomobil Nasional Sdn. Bhd.				
Proton Automobiles (China) Ltd.^	Investment holding Dormant	British Virgin Islands	100%	100%

24 SUBSIDIARY COMPANIES (CONTINUED)

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Subsidiary of Proton Marketing Sdn. Bhd.				
Proton Corporation Sdn. Bhd.^	Dormant	Malaysia	100%	100%
Proton Cars (UK) Ltd.*^	Distributor of Proton vehicles in United Kingdom	England	100%	100%
Proton Cars Australia Pty. Ltd.*^	Importation and distribution of motor vehicles and related products	Australia	100%	100%
Proton Cars Benelux NV. SA*^	Dormant	Belgium	100%	100%
Lotus Cars Asia Pacific Sdn. Bhd.^	Dormant	Malaysia	100%	100%
Auto Compound and Distribution Centre Sdn. Bhd.^	Dormant	Malaysia	100%	100%
Proton Edar Sdn. Bhd.^	Sale of motor vehicles, related spare parts and accessories	Malaysia	100%	100%
Subsidiaries of Lotus Advance Technologies Sdn. Bhd.				
Proton Engineering Research Technology Sdn. Bhd.^	Provision of Engineering Services	Malaysia	100%	100%
Lotus Group International Ltd.*^	Investment holding	England	100%	100%
Subsidiaries of Proton Hartanah Sdn. Bhd.				
Proton Properties Sdn. Bhd.^	Property development and management	Malaysia	100%	100%

24 SUBSIDIARY COMPANIES (CONTINUED)

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Subsidiary of Proton Cars (UK) Ltd.				
Smith & Sons Motors Ltd.*^	Dormant	England	100%	100%
Proton Direct Ltd.+^	Motor dealership	England	100%	100%
Proton Cars (Imports) Ltd.*^	Dormant	England	100%	100%
Proton Cars Direct Limited*^	Dormant	England	100%	100%
Subsidiary of Proton Edar Sdn. Bhd.				
Proton Singapore Pte. Ltd.*^	Sale of motor vehicles, related spare parts and accessories	Singapore	100%	100%
Proton Edar Resources Sdn. Bhd.^	Repair and maintenance of motor vehicles (previously dormant)	Malaysia	100%	100%
Proton Edar Ventures Sdn. Bhd.^	Dormant	Malaysia	100%	100%
PT Proton Edar Indonesia*	Sale of motor vehicles, related spare parts and accessories	Indonesia	95%	95%
Subsidiary of Proton Engineering Research Technology Sdn. Bhd.				
Marco Acquisition Corporation*^	Leasing of Equipment and Asset	United States of America	100%	100%
Subsidiary of Lotus Group International Ltd.				
Group Lotus plc*^	Holds intellectual property	England	100%	100%

24 SUBSIDIARY COMPANIES (CONTINUED)

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Subsidiaries of Group Lotus plc				
Lotus Cars Ltd.*^	Car manufacture and engineering consultancy	England	100%	100%
Lotus Body Engineering Ltd.*^	Dormant	England	100%	100%
Lotus Motorsports Ltd.*^	Dormant	England	100%	100%
Lotus Holdings Inc.*^	Holding company for operations in North America	United States of America	100%	100%
Subsidiary of Lotus Cars Ltd.				
Lotus Engineering Ltd.*^	Carries out specific engineering contracts	England	100%	100%
Subsidiary of Lotus Engineering Ltd.				
Lotus Engineering (Malaysia) Sdn. Bhd.^	Engineering consultancy	Malaysia	100%	100%
Subsidiary of Lotus Holdings Inc.				
Lotus Engineering Inc.*^	Engineering consultancy in North America	United States of America	100%	100%
Lotus Cars USA Inc.*^	Car sales and servicing	United States of America	100%	100%
Subsidiary of Proton Cars Australia Pty Ltd.				
Lotus Cars Australia Pty. Ltd.*	Sale of cars	Australia	100%	100%

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

+ Not audited by PricewaterhouseCoopers

^ Consolidated by merger method of accounting

25 ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares at cost	50,298	54,288	13,600	17,600
Accumulated impairment losses	(22,000)	(22,000)	—	—
	28,298	32,288	13,600	17,600
Share of post acquisition reserves	127,404	129,675	—	—
	155,702	161,963	13,600	17,600

	Group	
	2006 RM'000	2005 RM'000
Interest in associated companies are represented by:		
Group's share of net tangible assets	151,865	157,799
Group's share of intangible assets	3,837	4,164
	155,702	161,963

The details of the associated companies are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
PHN Industry Sdn. Bhd.	Manufacture and sales of stamped parts and sub-assembly of automotive metal components	Malaysia	35%	35%
Aluminium Alloy Industries Sdn. Bhd.#	Development, manufacture and sale of aluminium alloy casting products	Malaysia	—	25%

25 ASSOCIATED COMPANIES (CONTINUED)

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
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 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) Ltd.				
Proton Finance Ltd.	Provide dealer and customer finance	England	49.99%	49.99%
Associated company of Proton Edar Sdn. Bhd.				
Netstar Advance Systems Sdn. Bhd.	Engaged in the manufacture, assembly and sale of vehicle tracking devices	Malaysia	40%	40%
Associated company of Proton Automobile China Ltd.				
Goldstar Proton Automobiles Co. Ltd.	Production of automobile tools and components	People's Republic of China	49%	49%

The investment in this company was reduced to 19% and as such it was reclassified to long term investment.

26 JOINTLY CONTROLLED ENTITIES

	Group	
	2006 RM'000	Restated 2005 RM'000
Unquoted shares at cost	181,088	548,665
Accumulated impairment losses	(1,114)	(1,114)
	179,974	547,551
Share of post-acquisition reserves	69,989	75,483
Goodwill impairment charge during the year	—	(367,577)
	249,963	255,457

In November 2004, the Group via its wholly owned subsidiary, Proton Capital Sdn. Bhd., acquired 57.75% interest in MV Agusta Motor S.p.A. The goodwill arising from this acquisition amounting to RM367,577,000 was written off to reserves in accordance with the accounting policy in the previous financial year.

During the current financial year, the accounting policy on goodwill was changed as explained in Notes 2(d) and 43. This had resulted in the restatement of goodwill of RM367,577,000 on the balance sheet at the date of acquisition, which was subsequently impaired at 31 March 2005 based on the Directors' assessment of the carrying amount of its investment in the jointly controlled entity.

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

	Group	
	2006 RM'000	2005 RM'000
Non-current assets	231,168	158,988
Current assets	159,594	228,119
Current liabilities	(140,799)	(131,650)
Net assets	249,963	255,457

26 JOINTLY CONTROLLED ENTITIES (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
Revenue	195,321	203,461
Expenses (excluding tax)	(179,780)	(189,690)
Profit from ordinary activities before taxation	15,541	13,771
Taxation (Note 7)	(2,994)	(4,638)
Profit from ordinary activities after taxation	12,547	9,133

The Group had excluded RM23,474,000 that would otherwise have been accounted for in respect of previous financial year, share of losses after taxation of a jointly controlled entity from the financial statements following discontinuation of the equity accounting for the results of the entity upon the carrying amounts of the investment having been fully eroded. The Group had no obligation to finance those losses. The Group's investment in the related jointly controlled entity has been disposed during the financial year.

The details of the jointly controlled entities are as follows:

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Advanced Engine Research Sdn. Bhd.^	Dormant	Malaysia	0%	50%
Jointly controlled entity of Proton Marketing Sdn. Bhd.				
Proton Parts Centre Sdn. Bhd.#	Trading of motor vehicle components, spare parts and accessories	Malaysia	55%	55%
Proton Cars (Europe) Ltd.#	Dormant	England	56%	56%
Jointly controlled entity of Lotus Advance Technology				
Miyazu (Malaysia) Sdn. Bhd.#	Development, marketing and sale of products and services relating to dies, moulds and jigs	Malaysia	51%	51%

26 JOINTLY CONTROLLED ENTITIES (CONTINUED)

Name	Principal activities	Country of incorporation	Group's effective interest	
			2006	2005
Jointly controlled entity of Perusahaan Otomobil Nasional Sdn. Bhd.				
PT Proton Tracoma Motors (Indonesia)#	Manufacturing and sales of motor vehicles	Indonesia	51%	51%
Jointly controlled entity of Proton Capital Sdn. Bhd.				
MV Agusta Motor SpA#^	Manufacture and marketing of motorcycles and related product	Italy	0%	58%
Jointly controlled entity of Group Lotus plc				
Lotus Finance Ltd.	Motor vehicles financing	England	49.9%	49.9%
Jointly controlled entity of Proton Edar Sdn. Bhd.				
Proton Commerce Sdn. Bhd.	Motor vehicles financing	Malaysia	50%	50%

Companies in which the Group owns more than one half of the voting power. However, as the Group has joint control over the financial and operating policies, these investments are treated as jointly controlled entities.

^ Disposed during the financial year.

27 OTHER LONG TERM INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted investments in Malaysia:				
At cost	13,347	9,226	8,575	4,575
Allowance for diminution in value	(2,950)	(2,950)	(2,100)	(2,100)
	10,397	6,276	6,475	2,475

28 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 balance sheet:

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Subject to income tax:				
Deferred tax assets	105,786	38,479	—	—
Deferred tax liabilities	(805)	(1,074)	—	—
	104,981	37,405	—	—
Movement of deferred tax				
At start of financial year	37,405	45,534	—	—
(Charged)/credited to income statement: (Note 7)				
- property, plant and equipment	54,237	(15,985)	—	—
- inventories	589	6,940	—	—
- allowances and provisions	9,296	1,713	—	—
- receivables	3,454	(797)	—	—
	67,576	(8,129)	—	—
At end of financial year	104,981	37,405	—	—
Deferred tax assets (before offsetting)				
- property, plant and equipment	46,290	—	—	—
- inventories	18,987	18,398	—	—
- allowances and provisions	61,361	52,065	—	—
	126,638	70,463	—	—
Offset of deferred tax liabilities	(20,852)	(31,984)	—	—
Deferred tax assets (after offsetting)	105,786	38,479	—	—

28 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(7,178)	(15,125)	—	—
- receivables	(14,479)	(17,933)	—	—
	(21,657)	(33,058)	—	—
Offset against deferred tax assets	20,852	31,984	—	—
Deferred tax liabilities (after offsetting)	(805)	(1,074)	—	—

The amount of liability not offset relates to deferred tax liabilities arising in an overseas subsidiary for which there is no available asset for offset.

The tax effect of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group	
	2006 RM'000	2005 RM'000
<u>Deductible temporary differences of which no deferred tax assets is recognised</u>		
Unrecognised tax losses	184,214	241,107
Unabsorbed capital allowances	47,395	52,041
Unrecognised reinvestment allowances	397,888	313,180
Other temporary differences	4,661	9,466
<u>Taxable temporary differences of which no deferred tax liabilities is recognised</u>		
Surplus from land revaluation	11,572	12,860

As at 31 March 2006, there is no temporary differences associated with unremitted earnings of subsidiaries for the recognition of deferred tax liabilities (2005: Nil).

29 GOODWILL

	Group RM'000
At 1 April 2004/1 April 2005, as previously stated	—
Effect of change in policy (Note 43)	29,008
At 31 March 2005, as restated/At 31 March 2006	29,008

30 LONG TERM LIABILITIES

	Group	
	2006 RM'000	Restated 2005 RM'000
Unsecured:		
Long term loans (Note a)	115,490	169,926
Portion repayable within twelve months (Note 22)	(56,613)	(54,436)
	58,877	115,490
Secured:		
Long term loans (Note b)	570,900	629,936
Portion repayable within twelve months (Note 22)	(570,900)	—
	—	629,936
Finance lease and hire purchase creditors		
– secured (Note c)	—	4
Portion repayable within twelve months	—	(4)
	—	—
Employee retirement benefits (Note d)	41,378	14,213
	100,255	759,639

30 LONG TERM LIABILITIES (CONTINUED)**(a) Long term loans – unsecured**

	2006	Group Restated 2005
	RM'000	RM'000
The long term loans are repayable as follows:		
Within one year	56,613	54,436
Between one and two years	58,877	56,613
Between two and five years	—	58,877
	115,490	169,926

The term loans are repayable by 5 annual instalments over a 5-year period. The loan balance comprises of two separate tranches of RM21.6 million (2005: RM31.7 million) and RM93.9 million (2005: RM138.2 million) respectively. The final payment of the first tranche of the loan is due on 22 June 2007 and the second tranche is due on 30 September 2007. Both tranches of the loan bears a fixed interest rate of 4% per annum and is repayable in Ringgit Malaysia.

(b) Long term loans – secured

The secured long term loans obtained by certain subsidiary companies are:

- (i) A term loan of £40 million was obtained by a foreign subsidiary company in October 2005. Interest is payable at a fixed rate of 4.94% per annum and the loan is repayable in full in October 2006. The loan is secured against another subsidiary's cash deposit in a bank in Malaysia (Note 39).

During the financial year, the loan was reclassified as short term as it falls due within the next twelve months.

- (ii) A term loan of Euro 70 million was obtained by a Malaysian subsidiary company. The loan was drawn to finance an investment in a jointly controlled entity. The loan was drawn in Euro, secured against another subsidiary's cash deposit in a bank in Malaysia (Note 39) and repayable in full on 26 November 2009. Interest is payable at a fixed rate of 3.275% per annum on a half yearly basis.

During the financial year, the loan was reclassified as short term as the related investment was disposed and the loan will be paid within the next twelve months.

30 LONG TERM LIABILITIES (CONTINUED)**(c) Leasing and hire purchase creditors**

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

(d) Employee retirement benefits

The employee retirement benefits represents the scheme operated by Lotus Group International Ltd, as disclosed in Note 33.

31 SHARE CAPITAL

	Company	
	2006 RM'000	2005 RM'000
Authorised:	1,000,000	1,000,000
Issued and fully paid:		
At beginning of financial year	549,213	*
Issuance of ordinary shares of RM1 each during the financial year	—	549,213
At end of financial year	549,213	549,213

* 2 units subscribers' shares amounted to RM2 was issued and fully paid.

32 RESERVES

The Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to frank approximately RM936.8 million (2005: RM936.3 million) of its retained profits as at 31 March 2006 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM105.1 million (2005: RM49.5 million).

In addition, the Company has tax exempt income as at 31 March 2006 amounting to approximately RM56.6 million (2005: RM0.8 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to the agreement by the Inland Revenue Board.

Capital Reserves – Group

The reserves arose as a result of the Group reorganisation. Following the share for share exchange, the Company has no share premium. Accordingly, the amount of share premium previously recognised on consolidation has been designated as capital reserve.

33 EMPLOYEE RETIREMENT BENEFITS**(a) Defined contribution plan**

Group companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions are paid, the Group has no further payment obligations.

(b) Defined benefit planLotus Group Scheme – defined benefit scheme

Lotus Group International Ltd. and its subsidiaries ('Lotus Group'), operate a defined benefit pension 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 income statement so as to spread the cost of pensions over employees' working lives with the Lotus Group. The contributions are determined by a qualified actuary on the basis of triennial valuations. The latest actuarial valuation of the plan was carried out on 31 December 2002, using the Projected Unit method, updated to 31 March 2006.

The movements during the financial year in the amount recognised in the consolidated balance sheet is as follows:

	Group	
	2006 RM'000	2005 RM'000
At 1 April	14,213	10,757
Currency translation differences	(3,364)	724
Charged to income statement	45,065	22,551
Contributions and benefits paid	(14,536)	(19,819)
At 31 March	41,378	14,213

33 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The amounts recognised in the consolidated balance sheet is analysed as follows:

	Group	
	2006 RM'000	2005 RM'000
Present value of obligation	370,548	299,940
Fair value of plan assets	(309,543)	(255,652)
Shortfall of funded plan	61,005	44,288
Unrecognised actuarial gain/(losses)	8,455	(19,322)
Unrecognised transitional liability	(28,082)	(10,753)
Liability in balance sheet	41,378	14,213

The expense recognised in the consolidated income statement is analysed as follows:

	Group	
	2006 RM'000	2005 RM'000
Current service cost	11,996	16,333
Interest cost	15,159	15,680
Expected return on plan assets	(16,750)	(14,038)
Actuarial (gain)/losses recognised	(2,670)	1,052
Amortisation of transitional liability	37,330	3,524
Total, included in staff costs within administrative expenses (Note 5)	45,065	22,551
Actual return on plan assets	65,290	25,720

33 EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	Group	
	2006	2005
	%	%
Discount rates	5.00	5.40
Expected return on plan assets		
– equities	7.25	7.50
– bonds	4.50	5.00
– others	4.00	3.75
Expected rate of salary increase	3.85	3.75
Expected rate of pension payment increase	2.85	2.75
Inflation	2.85	2.75

34 SEGMENTAL INFORMATION

The Group is principally engaged in the automobile industry namely manufacturing, assembling, trading and provision of engineering and other services in respect of motor vehicles and related products. Accordingly, no segmental information is considered necessary for analysis by industry segments.

Intersegment sales comprise of sales of cars, parts and engineering services to companies in different geographical locations.

Analysis of the Group's revenue, results and other information by geographical locations of the assets are as follows:

	Malaysia		Other countries		Elimination		Total	
	Restated						Restated	
	2006	2005	2006	2005	2006	2005	2006	2005
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Revenue								
External sales	6,654.6	7,299.6	1,142.3	1,183.7	—	—	7,796.9	8,483.3
Inter-segment sales	129.9	114.7	149.6	280.1	(279.5)	(394.8)	—	—
Total revenue	6,784.5	7,414.3	1,291.9	1,463.8	(279.5)	(394.8)	7,796.9	8,483.3

34 SEGMENTAL INFORMATION (CONTINUED)

	Malaysia		Other countries		Elimination		Total	
	Restated		2006	2005	2006	2005	Restated	
	2006	2005					2006	2005
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Result								
Segment operating profit/(loss)	58.6	797.5	(118.1)	(21.4)	5.4	(85.5)	(54.1)	690.6
Unallocated expenses							9.9	(18.1)
Unallocated income							9.5	12.0
Interest expense							(43.9)	(46.2)
Interest income							67.8	87.9
Share of net results of associated companies and jointly controlled entities	21.3	(347.2)	7.5	20.2	—	—	28.8	(327.0)
Taxation							28.4	43.2
Profit after taxation							46.4	442.4
Other information								
Segment assets	6,907.1	7,443.8	620.4	723.5	—	—	7,527.5	8,167.3
Unallocated assets							785.3	663.7
Total assets							8,312.8	8,831.0
Segment liabilities	1,282.1	1,665.1	278.7	328.6	—	—	1,560.8	1,993.7
Unallocated liabilities							881.3	977.0
Total liabilities							2,442.1	2,970.7
Capital expenditure	455.4	855.5	23.1	39.7	—	—	478.5	895.2
Depreciation and amortisation	336.3	293.9	15.1	18.5	—	—	351.4	312.4
Assets written off	82.9	135.6	—	—	—	—	82.9	135.6
Impairment	—	1.9	5.1	—	—	—	5.1	1.9
Other non-cash items	269.2	77.9	59.5	28.3	—	—	328.7	106.2

34 SEGMENTAL INFORMATION (CONTINUED)

Unallocated income includes dividend from other investments, gain on disposal of short-term investments and writeback of provision for diminution in value of short-term investments. Unallocated costs represent losses on short-term investments, both realised and unrealised. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude investments in associates, joint venture, long term investments, short term investments and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings.

Capital expenditure mainly comprises additions to property, plant and equipment (Note 23).

Secondary reporting format

The primary reporting format is based on geographical locations of the assets. The industry segmentation is considered unnecessary as the Group is principally engaged in automobile industry. Therefore, only sales to external customer based on customer location is presented.

	Malaysia		Other countries		Elimination		Total	
	2006 RM'million	2005 RM'million	2006 RM'million	2005 RM'million	2006 RM'million	2005 RM'million	2006 RM'million	2005 RM'million
Revenue								
External sales	6,441.0	7,052.0	1,355.9	1,431.3	—	—	7,796.9	8,483.3
Inter segment sales	129.9	114.7	149.6	280.1	(279.5)	(394.8)	—	—
Total revenue	6,570.9	7,166.7	1,505.5	1,711.4	(279.5)	(394.8)	7,796.9	8,483.3

35 CAPITAL AND OTHER COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
Capital commitments		
Capital expenditure for property, plant and equipment approved by the Board not provided for in the financial statements:		
Contracted for	267,727	717,455
Not contracted for	3,900,523	2,724,111
	4,168,250	3,441,566

36 OPERATING LEASES

As at 31 March 2006, the Group was committed to making the following payments in respect of operating leases expiring:

	Group					
	Land and buildings	Plant and machinery	Total	Land and buildings	Plant and machinery	Total
	2006 RM'000	2006 RM'000	2006 RM'000	2005 RM'000	2005 RM'000	2005 RM'000
Within one year	1,246	2,212	3,458	1,100	2,815	3,915
Between one and five years	5,753	1,884	7,637	5,844	2,552	8,396
After five years	—	—	—	622	115	737
	6,999	4,096	11,095	7,566	5,482	13,048

37 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 subsidiaries, 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
PEPS-JV (M) Sdn. Bhd.	Equity investment
Technomeiji Rubber Industries Sdn. Bhd.	Equity investment
Aluminium Alloy Industries Sdn. Bhd.	Equity investment

In addition to related parties disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS DISCLOSURES (CONTINUED)

	Group	
	2006 RM'000	2005 RM'000
(a) Sales of goods and services		
Sales of goods		
– Jointly controlled entities	18,650	22,034
– Tenmaz Sdn. Bhd.	*	7,012
– Tenmaz Engineering (M) Sdn. Bhd.	*	175
(b) Purchases of goods and services from:		
– Mitsubishi Corporation, Japan	—	1,002,033
– Associated companies	157,536	156,749
– Jointly controlled entities	165,940	182,316
– Technomeiji Rubber Industries Sdn. Bhd.	13,597	12,444
– PEPS-JV (M) Sdn. Bhd.	186,259	176,170
– Aluminium Alloy Industries Sdn. Bhd.	16,601	—
(c) Advances to a jointly controlled entity	—	19,929

* Not applicable for the current financial year as these companies ceased to be related party.

38 CONTINGENT LIABILITIES

A supplier had obtained a judgement in default against a subsidiary company for RM12.2 million after failing to reach a formal agreement. Management had obtained legal opinion that the claims are without basis and action has been taken to set aside the judgement.

39 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	1,168,787	2,063,539	49,000	—
Discount houses	227,470	112,816	—	—
Other licensed financial institutions	57,465	48,268	—	—
	1,453,722	2,224,623	49,000	—
Bank and cash balances	132,260	230,095	835	50,638
Bank overdrafts	(175,949)	(172,075)	—	—
Fixed deposit pledged as security (Note 30)	(716,841)	(705,718)	—	—
	693,192	1,576,925	49,835	50,638

40 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. 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 global insurance programme and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

The Group uses derivative financial instruments such as foreign exchange contracts and interest rate instruments to hedge certain exposures. It does not trade in financial instruments.

(i) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by the Company and subsidiaries in currencies other than their functional currency. The Group enters into forward foreign currency exchange contracts to limit the exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

(ii) Interest rate risk

The Group's income and operating cash flows are not substantially affected by changes in market interest rates except for interest from bank deposits. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

40 FINANCIAL INSTRUMENTS (CONTINUED)**(a) Financial risk management objectives and policies (continued)***(iii) Market risk*

The Group does not face significant exposure from the risk from changes in debt and equity prices.

(iv) Credit risk

The Group seeks to invest cash assets safely and profitably. The Group considers the risk of material loss in the event of non-performance by a financial counter party to be unlikely in view of the financial strength of those counter-parties.

The Group seeks to control customers credit risk by ensuring that significant sales of product and services are made to customers with an appropriate credit history.

(v) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(b) Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by the Group in currencies other than the functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

As at 31 March 2006, the outstanding notional principal amount of the Group foreign exchange contracts are as follows:

	Group	
	2006 RM'000	2005 RM'000
<u>Maturity</u>		
Less than 6 months	45,873	327,518
Between 6 months and 1 year	41,986	78,948
	87,859	406,466

40 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Forward foreign exchange contracts (continued)

The foreign currency amounts to be received and the contractual exchange rates of the Group's outstanding contracts are as follows:

Hedged item	Currency to be received	Currency to be paid	RM'000 equivalent	Average contracted rate
2006				
Group				
Future purchase of raw materials over the following 6 months				
Forecasted receivables				
- the following 6 months	GBP	USD	45,873	1 USD = GBP 1.7701
- 6 to 12 months	GBP	USD	41,986	1 USD = GBP 1.7571
			87,859	
2005				
Group				
Future purchase of raw materials over the following 6 months				
	JPY	USD	145,280	1 USD = JPY 104.39
	EUR	USD	28,115	1 USD = EUR 1.3037
	GBP	USD	14,901	1 USD = GBP 1.8735
	GBP	AUD	11,611	1 GBP = AUD 0.4070
Forecasted receivables				
- the following 6 months	GBP	USD	127,611	1 USD = GBP 1.8875
- 6 to 12 months	GBP	USD	78,948	1 USD = GBP 1.8875
			406,466	

40 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as set out below:

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2006					
<u>Recognised on the balance sheet</u>					
Short term investments	15	211,965	220,864	—	—
Other long term investments	27	10,397	*	6,475	*
Long term loans					
– unsecured	30	(115,490)	(115,078)	—	—
2005					
<u>Recognised on the balance sheet</u>					
Short term investments	15	201,535	204,873	—	—
Other long term investments	27	6,276	*	2,475	*
Long term loans					
– unsecured	30	(169,926)	(169,123)	—	—
– secured	30	(629,936)	(631,324)	—	—
<u>Not recognised on the balance sheet</u>					
Foreign exchange hedge instruments		—	(5,041)	—	—

* It was not practicable within the constraints of timeliness and cost to estimate the fair values of the unquoted shares reliably. The Group and Company share of the net tangible worth of the investments at the balance sheet date is RM14,956,000 (2005: RM9,510,000).

41 SIGNIFICANT DISPOSAL

On 24 December 2005, Proton Capital Sdn. Bhd., a wholly owned subsidiary of PROTON Holdings Berhad, entered into a Share Purchase & Investment Agreement with GEVI S.p.A, a company organised and existing under the laws of Italy, in relation to a proposed disposal involving the disposal of 57,750,000 Class A shares representing 57.75% of the corporate capital of MV Agusta Motor S.p.A for a cash consideration of Euro 1.00 ('The Disposal'). The Disposal did not have any significant effect on the earnings, net assets, share capital nor shareholdings of the PROTON Group.

With the Disposal completed on 1 March 2006, the loan of EUR70 million taken to acquire MV Agusta Motor S.p.A was repaid on 26 May 2006 by utilising the restricted cash security as explained in Notes 30(b) and 39.

42 SUBSEQUENT EVENTS

Subsequent to the year end, the Group undertook a recapitalisation exercise to address the deficit in shareholders' funds and strengthen the operations of its overseas subsidiaries, Proton Cars (UK) Ltd and Proton Cars Australia Pty. Ltd via partial waiver of intercompany balances and settlement of the remaining balances following the waiver.

This recapitalisation exercise requires the approval of the Boards of Directors of the respective entities and Bank Negara Malaysia for additional overseas investment and the waiver of export trade debts. The proposal was approved by Bank Negara Malaysia on 29 June 2006.

43 COMPARATIVES

Certain figures for the year ended 31 March 2005 presented have been reclassified or adjusted, as compared to the original statutory accounts, due to the reasons below:

- Consistent presentation with the financial statements disclosure requirements for the financial year ended 31 March 2006; and
- Prior year adjustments arising from certain changes in accounting policies as described in Notes 2(d) and Note 26 as summarised below.

The goodwill balance as at 31 March 2005 arising from the acquisition of a subsidiary company had been restated upon the change in accounting policy as stated in Note 2(d). The goodwill arising from the investment in a jointly controlled entity was restated as detailed in Note 26. The consequence of the change in goodwill policy was also the classification of reserves between goodwill reserves and retained earnings.

43 COMPARATIVES (CONTINUED)

The effect of the change in accounting policy and the reclassification described above are as detailed below:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Income statement			
Profit after tax	810,019	(367,577)	442,442
Balance sheet			
Retained earnings	5,615,101	(698,166)	4,916,935
Goodwill reserve	(727,174)	727,174	—
Goodwill	—	29,008	29,008
	As previously stated RM'000	Reclassifi- cations RM'000	As restated RM'000
Balance sheet			
Trade and other payables	(1,708,378)	14,213	(1,694,165)
Long term liabilities	(745,426)	(14,213)	(759,639)

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 July 2006.

STATEMENT BY DIRECTORS pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Mohammed Azlan bin Hashim and Syed Zainal Abidin bin 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 108 to 174 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2006 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 July 2006.

DATO' MOHAMMED AZLAN BIN HASHIM
Chairman

SYED ZAINAL ABIDIN BIN SYED MOHAMED TAHIR
Director

STATUTORY DECLARATION pursuant to Section 169(16) of the Companies Act, 1965

I, Tan Chun Weng, 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 108 to 174 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.

TAN CHUN WENG

Subscribed and solemnly declared by the abovenamed Tan Chun Weng at Shah Alam in Malaysia on 26 July 2006, before me.

COMMISSIONER FOR OATHS

We have audited the financial statements set out on pages 108 to 174. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (ii) the state of affairs of the Group and of the Company as at 31 March 2006 and of the results and cash flows of the Group and Company for the financial year ended on that date;

and

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

The names of the subsidiary companies of which we have not acted as auditors are indicated in Note 24 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

DATO' AHMAD JOHAN BIN MOHAMMAD RASLAN
(No. 1867/09/06 (J))
Partner of the Firm

Kuala Lumpur
26 July 2006

ANALYSIS OF SHAREHOLDINGS

Share Capital

Authorised Share 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

	No. of Shares	% Over Total Shares	No. of Shareholders	% Over Total Shareholders
1 - 100	769	0.00	78	1.45
101 - 1,000	3,129,826	0.57	3,333	62.07
1,001 - 10,000	5,030,112	0.92	1,450	27.00
10,001 - 100,000	10,666,820	1.94	308	5.74
100,001 - 27,460,649	224,207,102	40.82	198	3.69
27,460,650 and Above	306,178,373	55.75	3	0.05
	549,213,002	100.00	5,370	100.00

DISTRIBUTION OF SHAREHOLDINGS

	Malaysian No. of Shares	Foreign No. of Shares	Malaysian % Over Total Share	Foreign % Over Total Share	Malaysian No. of Shareholders	Foreign No. of Shareholders	Malaysian % Over Total Shareholders	Foreign % Over Total Shareholders
1 - 100	686	83	0.00	0.00	75	3	1.40	0.05
101 - 1,000	3,041,296	88,530	0.55	0.02	3,225	108	60.06	2.01
1,001 - 10,000	4,454,561	575,551	0.81	0.10	1,316	134	24.51	2.49
10,001 - 100,000	6,904,700	3,762,120	1.26	0.69	214	94	3.99	1.75
100,001 - 27,460,649	122,706,127	101,500,975	22.34	18.48	90	108	1.68	2.01
27,460,650 and Above	306,178,373	0	55.75	0.00	3	0	0.05	0.00
	443,285,743	105,927,259	80.71	19.29	4,923	447	91.69	8.31
	549,213,002		100.00		5,370		100.00	

SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

	Name	Shareholding	%
1	KHAZANAH NASIONAL BERHAD	210,484,693	38.32
2	EMPLOYEES PROVIDENT FUND BOARD	60,017,000	10.93
3	PETROLIAM NASIONAL BERHAD	35,676,680	6.50

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	%
1.	KHAZANAH NASIONAL BERHAD	210,484,693	38.32
2.	EMPLOYEES PROVIDENT FUND BOARD	60,017,000	10.93
3.	RHB NOMINEES (TEMPATAN) SDN. BHD. PETROLIAM NASIONAL BERHAD	35,676,680	6.50
4.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. SECURITY TRUSTEE (KCW ISSUE 2)	24,250,000	4.42
5.	LEMBAGA TABUNG HAJI	16,820,427	3.06
6.	CARTABAN NOMINEES (ASING) SDN. BHD. GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE. LTD. FOR GOVERNMENT OF SINGAPORE (C)	14,185,300	2.58
7.	PERMODALAN NASIONAL BERHAD	8,838,000	1.61
8.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. AMANAH SSCM NOMINEES (TEMPATAN) SDN. BHD. FOR EMPLOYEES PROVIDENT FUND BOARD (JF404)	8,094,900	1.47
9.	PERECOM INDUSTRIES SDN. BHD.	7,444,000	1.36
10.	HSBC NOMINEES (ASING) SDN. BHD. TNTC FOR SAUDI ARABIAN MONETARY AGENCY	6,835,998	1.24
11.	CARTABAN NOMINEES (ASING) SDN. BHD. GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE. LTD. FOR MONETARY AUTHORITY OF SINGAPORE (H)	5,960,200	1.09
12.	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD AMANAH SSCM ASSET MANAGEMENT BERHAD FOR AMANAH MILLENIA FUND BERHAD (JM730)	4,268,400	0.78
13.	CARTABAN NOMINEES (ASING) SDN. BHD. SSBT FUND NDS6 FOR NORTHROP GRUMMAN PENSION MASTER TRUST	3,686,500	0.67
14.	HSBC NOMINEES (ASING) SDN. BHD. TNTC FOR BRANDES INSTITUTIONAL EQUITY TRUST	3,658,200	0.67
15.	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED	3,534,500	0.64

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

Name of Shareholders	No. of Shares	%
16. AMANAH RAYA NOMINEES (TEMPATAN) SDN. BHD. AMANAH SAHAM MALAYSIA	3,471,800	0.63
17. CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DFA EMERGING MARKETS FUND	3,112,500	0.57
18. CITIGROUP NOMINEES (ASING) SDN. BHD. MELLON BANK, N.A. FOR WEST VIRGINIA INVESTMENT MANAGEMENT BOARD	2,929,200	0.53
19. CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AMANAH SSCM NOMINEES (TEMPATAN) SDN. BHD. (ACCOUNT 1)	2,888,200	0.53
20. HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (AUSTRALIA)	2,862,300	0.52
21. HSBC NOMINEES (ASING) SDN. BHD. TNTC FOR UTAH STATE RETIREMENT SYSTEMS	2,354,176	0.43
22. CARTABAN NOMINEES (ASING) SDN. BHD. SSBT FUND NXW3 FOR BRANDES GLOBAL SMALL CAP EQUITY FUND	2,231,566	0.41
23. CARTABAN NOMINEES (ASING) SDN. BHD. INVESTORS BANK AND TRUST COMPANY FOR ISHARES, INC.	1,995,300	0.36
24. HSBC NOMINEES (ASING) SDN. BHD. TNTC FOR POLAR CAPITAL FUNDS PLC (ASIA EX JAPAN F)	1,986,100	0.36
25. HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR FORTIS BANQUE LUXEMBOURG (OPCVM A/C)	1,953,575	0.36
26. HSBC NOMINEES (ASING) SDN. BHD. BNY BRUSSELS FOR ING EMERGING COUNTRIES FUND	1,903,014	0.35
27. MAYBAN NOMINEES (TEMPATAN) SDN. BHD. AVENUE INVEST BERHAD FOR KUMPULAN WANG AMANAH PENCEN (E00170-220136)	1,865,400	0.34
28. BANK SIMPANAN NASIONAL	1,853,000	0.34
29. BANK SIMPANAN NASIONAL	1,852,000	0.34
30. BANK SIMPANAN NASIONAL	1,852,000	0.34
TOTAL	448,864,929	81.75

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTIES OWNED BY PERUSAHAAN OTOMOBIL NASIONAL SDN. BHD.					
No. H.S.(D) 71311, No. P.T. 82 Mukim of Damansara, District of Petaling, Selangor Darul Ehsan. <i>(Formerly, HICOM Industrial Estate encompassing part of Lots 563, 564, 568, 570 and Lot 15, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan).</i>	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. ft.	Freehold	05.09.1983	21 Years	Land: 68.4 Buildings: 146.5
HICOM Industrial Estate encompassing Lot 572, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	3 units of flats currently rented out	Freehold	09.04.1986	21 Years	Flats: 0.05
No. H.S.(D) 71309, No. P.T. 80, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan. <i>(Formerly, HICOM Industrial Estate encompassing Lot 568 Grant No. 5941, H.S.(D) 22208 No. P.T. 5115, H.S.(D) 22207, No. P.T. 5116, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan).</i>	Land having an area of 158,107 sq. ft. used as the car park for staff	Freehold	19.11.1993	—	Land: 2.6

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTIES OWNED BY PERUSAHAAN OTOMOBIL NASIONAL SDN. BHD. (CONTINUED)					
Lot 25, HICOM Glenmarie Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land with an area of 1,036,728 sq. ft. with office, factory and canteen buildings and sports facilities used for the Casting Plant. Total built-up area is 194,579 sq. ft.	Freehold	30.12.1992	12 Years	Land: 20.6 Buildings: 44.2
No. H.S.(D) 86554, No. P.T. 257 encompassing Lot 54, 60 and 62, Sime UEP Industrial Park, 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. Total built-up area is 2,102,731 sq. ft.	Freehold	18.04.1994	12 Years	Land: 54.9 Track & Buildings: 27
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 Ridzuan.	Land with an area of 55,444,116 sq. ft. with a second automobile plant. Total built-up area is 3,374,577 sq. ft.	Freehold	03.02.1999	3 Years	Land: 1.0 Building: 405

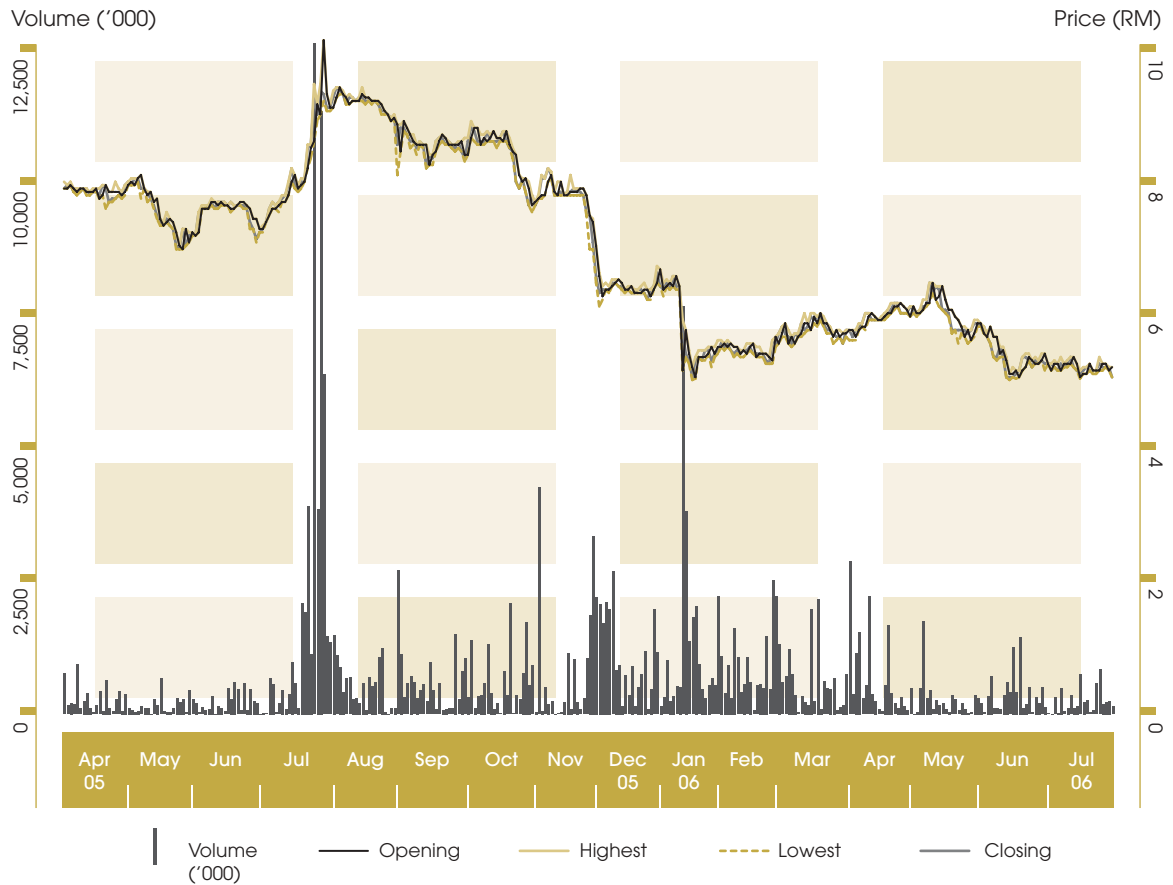
Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTIES OWNED BY PROTON PROPERTIES SDN. BHD.					
No. H.S.(D) No. 71662, No. P.T. 439, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	6 units of 3-bedroom Seri Hijauan apartments with a total built-up area of 6,522 sq. ft. D-3-17 of East Wing, D-5-24 of East Wing, B-4-01 of West Wing, B-5-01 of West Wing, A-10-01 of North Wing, A-11-01 of North Wing	Freehold	15.06.1995	12 Years	Apartments: 1.0
PROPERTIES OWNED BY PROTON CARS (UK) LTD.					
Ref. AV 915, Units 1-3, Crawley 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	30 Years	Land: 6.5 Buildings: 1.9
PROPERTY OWNED BY PROTON PARTS CENTRE SDN. BHD.					
Lot 91, HICOM Glenmarie Industrial Park, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan.	Land with an area of 512,266 sq. ft. with office and warehouse. Total built-up area is 220,000 sq. ft.	Freehold	01.01.1993	13 Years	Land: 10.2 Buildings: 21.8

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTY OWNED BY PROTON EDAR SDN. BHD.					
Vehicle Preparation Centre (VPC) No. H.S.(D) 86555, P.T. No. 258 and H.S.(D) 86557, P.T. No. 260, TP 2 Road, Sime UEP Industrial Park, 47600 Subang Jaya, Selangor Darul Ehsan.	Vehicle Preparation Centre and stock control building with total built-up area of 101,956 sq. ft.	Freehold	01.12.2000	5 Years	Building: 5.2
Centre of Excellence (COE) & Pre-Delivery and Inspection Centre (PDI) No H.S.(D) 86596, P.T. No. 299 and H.S.(D) 86597, P.T. No. 300, TP 2 Road, Sime UEP Industrial Park, 47600 Subang Jaya, Selangor Darul Ehsan.	Administration & Operation Office and Pre-Delivery & Inspection Centre with total built-up area of 30,212 sq. ft.	Freehold	01.03.2001	5 Years	Land: 35.7 Building: 141.3
No. 2, Lrg. Samarinda 6A Off Jalan Kebun H.S.(D) 60042, P.T. No. 64566, Mukim of Klang, Selangor Darul Ehsan	3 storey shop units which approximately 2,475.7 sq. ft.	Freehold	10.05.2002	4 Years	Building: 0.7
Lot 859, Block 16 Kuching Central Land District, Stampin 4½ Mile, Penrissen Road Kuching, Sarawak.	Land with an area of 48,383.73 sq. ft. to be used for sales outlet and service centre	Freehold	29.04.2002	4 Years	Land: 2.8
No. 218089, Mukim of Plentong, District of Johor Bahru, Johor Darul Takzim.	Land with an area of 87,120 sq. ft. to be used for sales outlet and service centre	Freehold	29.04.2002	4 Years	Land: 8.1

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTY OWNED BY PROTON EDAR SDN. BHD. (CONTINUED)					
H.S.(D) 63313, P.T. No. 9671 Mukim of Ampangan District of Seremban, Negeri Sembilan Darul Khusus.	Land with an area of 79,949 sq. ft. used for sales outlet and service centre is 7,175 sq. ft.	Freehold	19.07.2002 29.09.2003	3½ Years 2 Years	Land: 3.1 Building: 3.1
H.S.(D) 318392, PTD 81816, Mukim of Pulai, District of Johor Bahru, Jahor Darul Takzim.	Land with an area of 57,267 sq. ft. used for sales outlet and service centre	Freehold	06.08.2002	3½ Years	Land: 5.1
Part of Lot 45, Held under Master Title geran 29164 Lot 5458, Mukim & District of Petaling, Selangor Darul Ehsan.	Land with an area of 87,120 sq. ft. used for sales outlet and service centre	Freehold	01.08.2002	3½ Years	Land: 9.7
Lot P.T. 22489, Mukim of Batu, District of Gombak, Selangor Darul Ehsan.	Land with an area of 87,120 sq. ft. used for sales outlet and service centre	Freehold	26.08.2002	3½ Years	Land: 7.6
Lot P.T. 4352, Mukim of Kuah, District of Langkawi, Kedah Darul Aman.	Land with an area of 51,979 sq. ft. used for sales outlet and service centre	Freehold	13.09.2002	3½ Years	Land: 1.4
H.S.(D) 144330, P.T. 40019 Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan.	Land with an area of 61,524 sq. ft. used for sales outlet and service centre	Freehold	02.09.2002 01.03.2004	3½ Years 2 Years	Land: 9.3 Building: 6.9

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTY OWNED BY PROTON EDAR SDN. BHD. (CONTINUED)					
H.S.(D) 159654, P.T. 1 Jalan Kemajuan, District of Petaling Jaya, Selangor Darul Ehsan.	Land with an area of 99,862 sq. ft. used for sales outlet and service centre	Freehold	24.08.2005	7 Months	Land: 13.5
No. H.S.(D) 86596, P.T. No. 302, TP 5 Road, Sime UEP Industrial Park, 47600 Subang Jaya, Selangor Darul Ehsan.	Land with an area of 123,853 sq. ft. used for stockyard area	Freehold	05.12.2005	—	Land: 0.6
PROPERTIES OWNED BY PROTON EDAR VENTURES SDN. BHD.					
No. H.S.(D) 588, No. P.T. 2361, Mukim of Gelung, District of Kubang Pasu, Kedah Darul Aman.	Land with an area of 1,373,925 sq. ft. used as site for industrial building	Freehold	11.12.1990	—	Land: 1.7
Lot 1229, Mergong Industrial Estate Phase 11, Mukim of Mergong, District of Kota Setar, Kedah Darul Aman.	Land with an area of 45,025 sq. ft. with a 1½ storey building leased to Proton Edar Sdn. Bhd., used as Pre-Delivery inspection and service centre	Long leasehold (Year of expiry: 2076)	15.05.1977	29 Years	Land: 0.3 Building: 0.3

Location	Description and Existing Use	Tenure	Date of Acquisition/ Revaluation	Age of Building	Net Book Value RM Million
PROPERTY OWNED BY PROTON CORPORATION SDN. BHD.					
Lot No. 23 & 24, Section 7, Phase 1A, Pulau Indah Industrial Park, Westport, Pelabuhan Klang, Selangor Darul Ehsan.	Industrial land with an area of approximately 671,204 sq. ft. used to warehouse production export car	Long leasehold of 99 years (Year of expiry: 2097)	25.02.1998	—	Land: 10.5
PROPERTIES OWNED BY LOTUS CARS LTD. (UK)					
(i) Lotus Cars Limited, Land adjacent to Potash Lane, Hethel, Norwich, Norfolk NR 14 8EZ, England.	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	39 Years	Land: 6.3 Building: 86.2
(ii) Land North of Browick Road, Hethel, Norwich, Norfolk NR14 8EZ, England.					
Group Lotus Plc. 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	7 Years	Building: 7
PROPERTY OWNED BY MARCO ACQUISITION CORPORATION					
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: 86 Years Workshop: 40 Years	Land: 0.9 Building: 7.9



NOTICE IS HEREBY GIVEN that the **Third (3rd) Annual General Meeting** of the Company will be held at the Auditorium, PROTON Centre of Excellence, KM 33.8, Westbound Shah Alam Expressway, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on **Friday, 8 September 2006** at **3.30 p.m.** for the following purposes:

1. To lay the Reports of the Directors and Auditors and the Audited Statement of Accounts for the year ended 31 March 2006.
2. To approve the payment of a final (tax exempt) dividend of 5 sen per ordinary share. RESOLUTION 1
3. To elect the following Directors who retire in accordance with the Company's Articles of Association:-
Article 104
 (i) Dato' Mohammed Azlan bin Hashim RESOLUTION 2
 (ii) Abdul Jabbar bin Abdul Majid RESOLUTION 3
Article 111
 (i) Dato' Ahmad bin Haji Hashim RESOLUTION 4
 (ii) Syed Zainal Abidin bin Syed Mohamed Tahir RESOLUTION 5
4. To elect the following Director who retires in accordance with Section 129 of the Companies Act, 1965 ("CA")
 (i) Lt. Gen (R) Dato' Seri Mohamed Daud bin Abu Bakar RESOLUTION 6
5. To approve the Directors' fees for the year ended 31 March 2006. RESOLUTION 7
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. RESOLUTION 8
7. To transact any other ordinary business for which due notice has been given. RESOLUTION 9
8. **AS SPECIAL BUSINESS**
 To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:- RESOLUTION 10
 That subject always to the provisions of the Companies Act, 1965, the Articles of Association of the Company and the approval of the relevant authorities and pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue and allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10 percent (%) of the issued share capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company".

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT the Register of Members of the Company will be closed on 14 September 2006 to determine shareholders' entitlement to a final (tax exempt) dividend of 5 sen for the financial year ended 31 March 2006.

The dividend, if approved by the shareholders at the Company's Third (3rd) Annual General Meeting, will be paid on 18 October 2006 to shareholders whose names appear in the Record of Depositors on 14 September 2006.

FURTHER NOTICE IS ALSO HEREBY GIVEN THAT a Depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) securities deposited into the Depositor's Securities Account on or before 4.00 p.m. on 14 September 2006 in respect of securities which are exempted from mandatory deposit;
- (b) securities transferred into the Depositors' Securities Account before 4.00 p.m. on 14 September 2006 in respect of ordinary transfer;
- (c) securities 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

MOHD NIZAMUDDIN BIN MOKHTAR

(LS NO. 006128)

Company Secretary

Shah Alam

17 August 2006

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 appointor or his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or the hand of an officer or attorney duly authorised.
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 Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 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 30 August 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 August 2006 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his stead.

EXPLANATORY NOTES TO THE SPECIAL BUSINESS:-

The Ordinary Resolution No. 10, if passed, will give the Directors of the Company the authority to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid up capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING THE NOTICE OF THE THIRD (3RD) ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad, appended hereunder are:

DIRECTORS STANDING FOR RE-ELECTION

Directors who are standing for re-election at the Third (3rd) Annual General Meeting of the Company which will be held at the Auditorium, PROTON Centre of Excellence, KM 33.8, Westbound Shah Alam Expressway, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Friday, 8 September 2006 at 3.30 p.m. pursuant to the Company's Articles of Association and Section 129 of the Companies Act, 1965 are as follows:-

Article 104

Dato' Mohammed Azlan bin Hashim

Refer to Page 14 of the Annual Report

Abdul Jabbar bin Abdul Majid

Refer to Page 17 of the Annual Report

Article 111

Dato' Ahmad bin Haji Hashim

Refer to Page 21 of the Annual Report

Syed Zainal Abidin bin Syed Mohamed Tahir

Refer to Page 15 of the Annual Report

Section 129 of the Companies Act

Lt. Gen (R) Dato' Seri Mohamed Daud bin Abu Bakar

Refer to Page 16 of the Annual Report



FORM OF PROXY

PROTON Holdings Berhad

Company No: 623177-A

No. of Shares held	
CDS Account No. of Authorised Nominee	

I/We _____ (name of shareholder as per NRIC, in capital letters)

NRIC No. _____ (new) _____ (old) ID No./Company No. _____

of _____ (full address) being a member/members 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/us on my/our behalf at the Third (3rd) Annual General Meeting of the Company to be held at the Auditorium, PROTON Centre of Excellence, KM 33.8, Westbound Shah Alam Expressway, 47600 Subang Jaya, Selangor Darul Ehsan, Malaysia on Friday, 8 September 2006 at 3.30 p.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of a final (tax exempt) dividend of 5 sen per ordinary share. Resolution 1		
2.	To elect the following Directors who retire in accordance with the Company's Articles of Association:-		
	<u>Article 104</u>		
	i. Dato' Mohammed Azlan bin Hashim Resolution 2		
	ii. Abdul Jabbar bin Abdul Majid Resolution 3		
	<u>Article 111</u>		
	iii. Dato' Ahmad bin Haji Hashim Resolution 4		
	iv. Syed Zainal Abidin bin Syed Mohamed Tahir Resolution 5		
3.	To elect the following Director who retires in accordance with Section 129 of the Companies Act, 1965 ("CA")		
	i. Lt. Gen (R) Dato' Seri Mohamed Daud bin Abu Bakar Resolution 6		
4.	To approve the Directors' fees for the year ended 31 March 2006. Resolution 7		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 8		
6.	To transact any other ordinary business for which due notice has been given. Resolution 9		
	AS SPECIAL BUSINESS		
7.	To approve authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965. Resolution 10		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.)

Dated this _____ day of _____ 2006.

For appointment of more than one proxy, 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



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 appointor or his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or the hand of an officer or attorney duly authorised.
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 Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 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 30 August 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 August 2006 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote in his stead.

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STAMP

TENAGA KOPERAT SDN. BHD.

20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur

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Registered Office

HICOM Industrial Estate

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