

**OSK INVESTMENT BANK BERHAD (14152-V)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 December 2007**

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Dr Choong Tuck Yew	- Chairman/Independent Non-Executive Director
Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director / Chief Executive Officer
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	- Non-independent Non-executive Director
Dato' Abdul Majit bin Ahmad Khan	- Independent Non-Executive Director
Leong Keng Yuen	- Independent Non-Executive Director
Foo San Kan	- Independent Non-Executive Director

**BOARD COMMITTEES**

**A. AUDIT COMMITTEE**

Leong Keng Yuen	- Chairman/Independent Non-Executive Director
Dr. Choong Tuck Yew	- Independent Non-Executive Director
Foo San Kan	- Independent Non-Executive Director

**B. RISK MANAGEMENT COMMITTEE**

Dato' Abdul Majit bin Ahmad Khan	- Chairman/Independent Non-Executive Director
Dr. Choong Tuck Yew	- Independent Non-Executive Director
Leong Keng Yuen	- Independent Non-Executive Director

**C. NOMINATING COMMITTEE**

Foo San Kan	- Chairman/Independent Non-Executive Director
Dr. Choong Tuck Yew	- Independent Non-Executive Director
Dato' Abdul Majit bin Ahmad Khan	- Independent Non-Executive Director
Leong Keng Yuen	- Independent Non-Executive Director
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	- Non-independent Non-executive Director

**D. REMUNERATION COMMITTEE**

Dr. Choong Tuck Yew	- Chairman/Independent Non-Executive Director
Foo San Kan	- Independent Non-Executive Director
Dato' Abdul Majit bin Ahmad Khan	- Independent Non-Executive Director

**CREDIT LENDING COMMITTEE - CONNECTED PARTIES MEMBERS**

Foo San Kan	- Independent Non-Executive Director
Dato' Abdul Majit bin Ahmad Khan	- Independent Non-Executive Director
Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer

**MANAGEMENT COMMITTEES**

**I. EXECUTIVE COMMITTEE**

Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer
Ong Ju Yan	- Director, Investment Banking
Diong King Kuang	- Head of KL Main Branch and FT
Woon Chong Boon	- Head of Group Corporate & Legal Affairs

**II. ASSETS & LIABILITIES MANAGEMENT COMMITTEE**

Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer
Ong Ju Yan	- Director, Investment Banking
Yeo Chin Tiong	- Head of Treasury
Grace Lim Wooi Teen	- Head of Risk Management

**III. MANAGEMENT RISK COMMITTEE**

Grace Lim Wooi Teen	- Head of Risk Management
Lim Ah Lay	- Head of Operations
Woon Chong Boon	- Head of Group Corporate & Legal Affairs
Albert Tai Lee Chuan	- Head of Compliance

**IV. INVESTMENT COMMITTEE**

Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer
Ong Ju Yan	- Director, Investment Banking
Yeo Chin Tiong	- Head of Treasury

**V. IT STEERING COMMITTEE**

Wong Chong Kim	- Deputy Chief Executive Officer
Ong Ju Yan	- Director, Investment Banking
Lim Ah Lay	- Head of Operations
Liew Kim Weng	- Head of Information Technology
Grace Lim Wooi Teen	- Head of Risk Management

**VI. CREDIT LENDING COMMITTEE**

Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer
Lim Ah Lay	- Head of Operations
Yeo Chin Tiong	- Head of Treasury

**VII. HUMAN RESOURCES COMMITTEE**

Ong Leong Huat @ Wong Joo Hwa	- Group Managing Director/Chief Executive Officer
Wong Chong Kim	- Deputy Chief Executive Officer
Ong Ju Yan	- Director, Investment Banking
Woon Chong Boon	- Head of Group Corporate & Legal Affairs
Jeannie Yau Siew Foon	- Head of Group Human Resource

**COMPANY SECRETARIES**

Wong Wei Fong (MAICSA 7006751)  
Lim Lee Kuan (MAICSA 7017753)

**AUDITORS**

Ernst & Young (AF: 0039)  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur

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**PRINCIPAL BANKERS**

Bank of China (HK) Ltd.  
Citic Ka Wah Bank Ltd.  
DBS Bank Ltd.  
Hang Seng Bank Ltd.  
International and Commercial Bank of China (Asia) Ltd.  
Malayan Banking Berhad  
Oversea-Chinese Banking Corporation Limited  
RHB Bank Berhad  
Standard Chartered Bank (Hong Kong) Limited  
Standard Chartered Bank Malaysia Berhad  
The Hong Kong and Shanghai Banking Corporation Limited  
United Overseas Bank Limited  
United Overseas Bank (Malaysia) Berhad

**SOLICITORS**

Cheang & Ariff  
Chellam Wong  
Rajes Hisham Pillai & Gopal  
Sivananthan

**REGISTERED OFFICE/PRINCIPAL BUSINESS ADDRESS**

20th Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel: 03-23338333  
Fax: 03-21753220

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

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**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2007.

**PRINCIPAL ACTIVITIES**

The Bank is principally engaged in stockbroking, futures and options broking, corporate advisory, debt securities, interbank market activities, corporate loans, wholesale deposit and other related activities. The Bank commenced its investment bank operations on 29 January 2007.

The principal activities of the subsidiary and associated companies are described in Notes 26 and 27 to the financial statements.

Other than the acquisition of new subsidiary companies, investment in new associated companies and merger of futures and options broking business as disclosed in Notes 26, 27 and 47(a), there have been no significant changes in the nature of the principal activities during the financial year.

**CHANGE OF NAME**

On 18 January 2007, the Bank changed its name from OSK Securities Berhad to OSK Investment Bank Berhad.

**RESULTS**

	<b>Group</b>	<b>Bank</b>
	<b>RM</b>	<b>RM</b>
Profit for the financial year	<u>250,901,382</u>	<u>179,964,972</u>
Attributable to:		
Equity holders of the Bank	215,275,194	179,964,972
Minority interests	<u>35,626,188</u>	<u>-</u>
	<u>250,901,382</u>	<u>179,964,972</u>

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

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

**DIVIDENDS**

The amount of dividends paid by the Bank since 31 December 2006 were as follows:

**RM**

In respect of the financial year ended 31 December 2006 as proposed in the directors' report of that year:

Final dividend of 5 sen per ordinary share less 27% income tax declared and paid on 9 April 2007	22,995,000
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In respect of the financial year ended 31 December 2007:

Interim dividend of 9.2 sen per ordinary share less 27% income tax declared and paid on 5 September 2007	42,310,800
	<u>65,305,800</u>

The directors proposed a final dividend in respect of the financial year ended 31 December 2007 of 11 sen less 26% taxation on 630,000,000 ordinary shares amounting to a dividend payable of RM51,282,000 (8 sen net per ordinary share) for shareholder's approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2008.

**DIRECTORS**

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

Y.Bhg. Dato' Nik Mohamed Din bin Datuk Nik Yusoff  
 Y.Bhg. Dato' Abdul Majit bin Ahmad Khan  
 Ong Leong Huat @ Wong Joo Hwa  
 Foo San Kan  
 Dr Choong Tuck Yew  
 Leong Keng Yuen

**DIRECTORS' BENEFITS**

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

### **DIRECTORS' BENEFITS (CONTD.)**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 10 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 44 to the financial statements in relation to significant related party disclosures.

### **DIRECTORS' INTERESTS**

According to the Register of Directors' shareholdings, none of the directors in office at the end of the financial year has any interest in the ordinary share capital of the Bank, except for Mr. Ong Leong Huat @ Wong Joo Hwa who is deemed to have an interest in the shares of the Bank and all the other related companies by virtue of his shareholdings in the holding company, OSK Holdings Berhad, pursuant to Section 61 of the Companies Act, 1965.

Pursuant to Section 134(3) of the Companies Act, 1965, Y.Bhg. Dato' Nik Mohamed Din bin Datuk Nik Yusoff, Mr. Ong Leong Huat @ Wong Joo Hwa and Dr. Choong Tuck Yew, being directors in office at the end of the financial year who are also directors of the holding company, are deemed to have disclosed their interest in the share capital, options and debentures of the holding company and related companies.

### **SIGNIFICANT EVENTS**

Details of the significant events are disclosed in Notes 26 and 47 to the financial statements.

### **SUBSEQUENT EVENTS**

Details of the subsequent events are disclosed in Note 48 to the financial statements.

### **OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Bank were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for 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

**OTHER STATUTORY INFORMATION (CONTD.)**

- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
  - (ii) the value attributed to the current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 January 2008.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff  
30 January 2008

Ong Leong Huat @ Wong Joo Hwa

**OSK INVESTMENT BANK BERHAD  
(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(5) OF THE COMPANIES ACT,1965**

We, Dato' Nik Mohamed Din bin Datuk Nik Yusoff and Ong Leong Huat @ Wong Joo Hwa, being two of the directors of OSK INVESTMENT BANK BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 132 are drawn up in accordance with the provisions of Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 January 2008.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia  
30 January 2008

**STATUTORY DECLARATION  
PURSUANT TO SECTION 169(6) OF THE COMPANIES ACT,1965**

I, Lim Ah Lay, being the officer primarily responsible for the financial management of OSK INVESTMENT BANK BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 132 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Lim Ah Lay at Kuala Lumpur in  
the Federal Territory on 30 January 2008

Lim Ah Lay

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBER OF  
OSK INVESTMENT BANK BERHAD  
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 9 to 132. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, 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 applicable Approved Standards on Auditing 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Bank as at 31 December 2007 and of the results and the cash flows of the Group and of the Bank for the financial year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have been acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 26 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF  
OSK INVESTMENT BANK BERHAD (CONTD.)  
(Incorporated in Malaysia)**

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank 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 are not subject to any qualification material to the consolidated financial statements and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174 (3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

Gloria Goh Ewe Gim  
No. 1685/04/09(J)  
Partner

Kuala Lumpur, Malaysia  
30 January 2008

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
Operating revenue	3(x)	1,036,585,669	389,186,082	610,609,255	229,891,763
Interest income	5	137,591,763	46,688,482	112,102,785	40,098,370
Interest expense	6	(68,305,963)	(7,537,916)	(61,475,815)	(6,972,505)
Net interest income		69,285,800	39,150,566	50,626,970	33,125,865
Fee and commission income	7	784,591,603	313,658,209	363,783,392	161,518,686
Investment and trading income	8	97,251,275	24,271,744	126,941,679	26,006,093
Other income	9	17,151,028	4,567,647	7,781,399	2,268,614
Net income		968,279,706	381,648,166	549,133,440	222,919,258
Other expenses	10	(620,557,362)	(302,540,666)	(288,319,867)	(174,659,475)
Operating profit		347,722,344	79,107,500	260,813,573	48,259,783
Allowance for losses on loans, advances and financing	11(a)	(4,079,433)	-	(4,079,433)	-
Allowance for/(write back of) bad and doubtful debts on trade and other receivables (net)	11(b)	(3,906,602)	2,361,177	(949,212)	2,772,990
		339,736,309	81,468,677	255,784,928	51,032,773
Share of profit/(loss) of associated companies, net of tax		1,419,512	(397,298)	-	-
Profit before tax		341,155,821	81,071,379	255,784,928	51,032,773
Income tax expense	12	(90,254,439)	(14,374,094)	(75,819,956)	(8,271,567)
Profit after tax for the year		250,901,382	66,697,285	179,964,972	42,761,206
Profit after tax attributable to:					
Equity holders of the					
Bank		215,275,194	55,613,353		
Minority interests		35,626,188	11,083,932		
		250,901,382	66,697,285		
Earnings per share (sen)					
Basic and diluted	13	34.17	9.18		

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

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 31 DECEMBER 2007**

	Note	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>ASSETS</b>					
Cash, bank balances and deposits	15	844,947,686	457,049,285	495,140,498	203,205,766
Deposits and placements with financial institutions	16	476,330,000	15,600,000	476,330,000	15,600,000
Short term investments	17	1,316,837,011	405,236,934	1,316,837,011	403,285,859
Fund Manager's stocks	18	12,813,188	1,786,564	-	-
Loans, advances and financing	19	267,882,761	-	267,882,761	-
Derivative financial assets	20	139,489,212	-	139,489,212	-
Trade receivables	21	3,526,319,171	1,552,886,971	800,967,112	490,528,071
Other receivables, deposits and prepayments	22	28,682,871	15,562,626	21,081,081	10,237,844
Amounts due from subsidiary companies	26(b)	-	-	1,090,000	250,344
Tax recoverable		95,513	6,073,159	-	6,059,309
Security deposit and statutory funds	23	2,669,602	3,412,838	1,509,989	10,000
Statutory deposit with Bank Negara Malaysia	24	63,530,260	-	63,530,260	-
Other long term investments	25	5,256,357	5,265,532	2,918,200	718,200
Investments in subsidiary companies	26(a)	-	-	206,292,152	182,761,224
Investments in associated companies	27	10,445,529	4,288,269	9,930,974	4,288,269
Plant and equipment	28	40,083,226	40,386,934	29,496,950	29,822,096
Intangible assets	29	128,838,597	128,128,427	99,290,646	99,016,468
Deferred tax assets	41	5,542,364	115,781	4,757,815	46,381
<b>TOTAL ASSETS</b>		<b>6,869,763,348</b>	<b>2,635,793,320</b>	<b>3,936,544,661</b>	<b>1,445,829,831</b>

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 31 DECEMBER 2007 (CONTD.)**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	31	2,119,070,816	-	2,145,639,226	-
Deposits and placements of financial institutions	32	-	102,090,000	-	102,090,000
Obligations on securities sold under repurchase agreements	33	240,631	-	240,631	-
Derivative financial liabilities	34	210,699,816	-	210,699,816	-
Trade payables	35	3,204,286,431	1,251,192,107	586,721,853	236,775,410
Other payables, deposits and accruals	36	229,671,550	145,893,458	192,749,164	128,471,963
Amount due to holding company	37	2,630,240	1,565,653	-	-
Amount due to a subsidiary company	26(b)	-	-	-	128,412
Amount due to related companies	38	12,150,722	26,616,671	8,592,219	23,574,589
Short term borrowings	39	92,395,707	309,486,235	-	294,652,637
Non-current finance lease payables	40	483,689	1,214,276	-	-
Tax payable		40,077,333	6,994,778	20,338,141	-
Deferred tax liabilities	41	258,259	3,856,469	-	3,232,381
<b>TOTAL LIABILITIES</b>		<b>5,911,965,194</b>	<b>1,848,909,647</b>	<b>3,164,981,050</b>	<b>788,925,392</b>

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 31 DECEMBER 2007 (CONTD.)**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>EQUITY</b>					
Share capital	42	630,000,000	630,000,000	630,000,000	630,000,000
Reserves	43	195,942,569	50,759,181	141,563,611	26,904,439
Shareholder's equity		825,942,569	680,759,181	771,563,611	656,904,439
Minority interests		131,855,585	106,124,492	-	-
<b>TOTAL EQUITY</b>		<b>957,798,154</b>	<b>786,883,673</b>	<b>771,563,611</b>	<b>656,904,439</b>
<b>TOTAL LIABILITIES</b>					
<b>AND EQUITY</b>		<b>6,869,763,348</b>	<b>2,635,793,320</b>	<b>3,936,544,661</b>	<b>1,445,829,831</b>

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

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Attributable to Equity Holders of the Bank					Minority Interests	Total equity
	Share capital (Note 42) RM	Foreign exchange reserve (Note 43) RM	Statutory reserve (Note 43) RM	Retained profits (Note 43) RM	Total RM		
<b>At 1 January 2007</b>	630,000,000	(705,630)	-	51,464,811	680,759,181	106,124,492	786,883,673
Foreign currency translation difference recognised directly in equity	-	(4,932,250)	-	-	(4,932,250)	(786,140)	(5,718,390)
Profit for the year	-	-	-	215,275,194	215,275,194	35,626,188	250,901,382
Total recognised (loss)/income for the year	-	(4,932,250)	-	215,275,194	210,342,944	34,840,048	245,182,992
Reserve on consolidation recognised in equity*	-	-	-	146,244	146,244	(146,244)	-
Issue of shares to minority interests	-	-	-	-	-	440,000	440,000
Transfer to statutory reserve	-	-	89,982,486	(89,982,486)	-	-	-
Acquisition of subsidiary company	-	-	-	-	-	110,000	110,000
Dividend paid by subsidiary companies	-	-	-	-	-	(9,512,711)	(9,512,711)
Dividends (Note 14)	-	-	-	(65,305,800)	(65,305,800)	-	(65,305,800)
<b>At 31 December 2007</b>	<b>630,000,000</b>	<b>(5,637,880)</b>	<b>89,982,486</b>	<b>111,597,963</b>	<b>825,942,569</b>	<b>131,855,585</b>	<b>957,798,154</b>

\* Arising from subscription of additional shares in subsidiary company [Note 26(a)(ii)].

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007(CONTD.)**

	Attributable to Equity Holders of the Bank				Total	Minority Interests	Total equity
	Share capital (Note 42) RM	Reserve on consolidation RM	Foreign exchange reserves (Note 43) RM	Retained profits (Note 43) RM			
<b>At 1 January 2006</b>							
As previously stated	530,000,000	62,500	-	19,210,237	549,272,737	7,171,281	556,444,018
Effects of adoption of FRS 3	-	(62,500)	-	62,500	-	-	-
As restated	530,000,000	-	-	19,272,737	549,272,737	7,171,281	556,444,018
Foreign currency translation difference recognised directly in equity	-	-	(705,630)	-	(705,630)	508,057	(197,573)
Profit for the year	-	-	-	55,613,353	55,613,353	11,083,932	66,697,285
Total recognised (loss)/income for the year	-	-	(705,630)	55,613,353	54,907,723	11,591,989	66,499,712
Issuance of ordinary shares	100,000,000	-	-	-	100,000,000	-	100,000,000
Acquisition of subsidiary companies	-	-	-	-	-	93,952,675	93,952,675
Subscription of additional shares in subsidiary company	-	-	-	(45,279)	(45,279)	45,279	-
Issue of shares to minority interests	-	-	-	-	-	60,000	60,000
Dividend paid by a subsidiary company	-	-	-	-	-	(6,696,732)	(6,696,732)
Dividends (Note 14)	-	-	-	(23,376,000)	(23,376,000)	-	(23,376,000)
<b>At 31 December 2006</b>	<b>630,000,000</b>	<b>-</b>	<b>(705,630)</b>	<b>51,464,811</b>	<b>680,759,181</b>	<b>106,124,492</b>	<b>786,883,673</b>

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

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Share capital (Note 42) RM</b>	<b>Distributable Retained profits (Note 43) RM</b>	<b>Non- Distributable Statutory reserve (Note 43) RM</b>	<b>Total RM</b>
<b>At 1 January 2007</b>	630,000,000	26,904,439	-	656,904,439
Profit for the year	-	179,964,972	-	179,964,972
Transfer to statutory reserve	-	(89,982,486)	89,982,486	-
Dividends (Note 14)	-	(65,305,800)	-	(65,305,800)
<b>At 31 December 2007</b>	<u>630,000,000</u>	<u>51,581,125</u>	<u>89,982,486</u>	<u>771,563,611</u>
<b>At 1 January 2006</b>	530,000,000	7,519,233	-	537,519,233
Profit for the year	-	42,761,206	-	42,761,206
Issuance of ordinary shares	100,000,000	-	-	100,000,000
Dividends (Note 14)	-	(23,376,000)	-	(23,376,000)
<b>At 31 December 2006</b>	<u>630,000,000</u>	<u>26,904,439</u>	<u>-</u>	<u>656,904,439</u>

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

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	341,155,821	81,071,379	255,784,928	51,032,773
Adjustments for:				
Allowance for diminution in value of:				
- Fund Manager's stocks	376,513	-	-	-
- marketable securities	3,245	-	-	-
- private debt securities	4,086,354	-	4,086,354	-
Amortisation of intangible assets - software licence	22,989	-	22,989	-
Amortisation of premium less accretion of discount	298,742	-	298,742	-
Depreciation	11,458,853	10,182,556	7,916,064	8,330,047
Allowance for losses on loans, advances and financing	4,079,433	-	4,079,433	-
Allowance for/(write back of) bad and doubtful debts on trade and other receivables	3,906,602	(2,305,255)	961,527	(2,760,864)
Impairment loss on:				
- goodwill on consolidation	8,357	-	-	-
- intangible assets	-	87,325	-	-
- investment in associated companies	-	2,649,562	-	739,481
- investment in a subsidiary company	-	-	682,062	-
Gross dividend income	(2,875,457)	(171,501)	(32,353,545)	(171,500)
Net gain on disposal of plant and equipment	(54,055)	(195,009)	(57,507)	(103,447)
Net loss on foreign exchange - unrealised	3,769,078	-	3,603,665	-
Balance carried forward	<u>366,236,475</u>	<u>91,319,057</u>	<u>245,024,712</u>	<u>57,066,490</u>

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	Group		Bank	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Balance brought forward	366,236,475	91,319,057	245,024,712	57,066,490
Gain on disposal of investment in associated company	(598)	-	-	-
Gain on disposal of marketable securities	(15,000,048)	(497,377)	(14,775,785)	(497,377)
Plant and equipment written off	683,683	819,780	683,683	819,236
Provision for interest cost and judgment sum pertaining to litigation claims [Note 49(a) and (c)]	2,789,292	2,158,778	2,789,292	2,158,778
Reversal of allowance for diminution in value of				
- Fund Manager's stocks	-	(4,353)	-	-
- marketable securities	(744,499)	(938,703)	(744,499)	(935,409)
Provision for foreseeable losses on structured warrant liabilities	6,711,532	-	6,711,532	-
Reversal of allowance for diminution in value of an associated companies	-	-	(739,481)	-
Share of (profit)/loss of associated companies, net of tax	(1,419,512)	397,298	-	-
Operating profit before working capital changes	359,256,325	93,254,480	238,949,454	58,611,718
Decrease/(increase) in security deposits and statutory funds	666,022	(272,481)	-	(10,000)
Increase in statutory deposit with Bank Negara Malaysia	(63,530,260)	-	(63,530,260)	-
Balance carried forward	296,392,087	92,981,999	175,419,194	58,601,718

**OSK INVESTMENT BANK BERHAD**  
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**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Balance brought forward	296,392,087	92,981,999	175,419,194	58,601,718
Increase in trade and other receivables	(1,992,730,619)	(42,608,356)	(261,919,685)	(140,845,370)
Increase in deposits from customers	2,119,070,816	-	2,145,639,226	-
Increase in deposits and placements with financial institutions	(460,730,000)	(15,600,000)	(460,730,000)	(15,600,000)
Increase in obligations on securities sold under repurchase agreements	240,631	-	240,631	-
Increase in loans, advances and financing	(271,962,194)	-	(271,962,194)	-
Increase in short term investments	(900,243,871)	(249,427,306)	(906,019,628)	(247,483,879)
Increase in derivative financial assets	(139,489,212)	-	(139,489,212)	-
Increase in Fund Manager's stocks	(11,403,138)	(984,241)	-	-
(Decrease)/increase in deposits and placements of financial institutions	(102,090,000)	102,090,000	(102,090,000)	102,090,000
Increase in derivative financial liabilities	203,988,284	-	203,988,284	-
Increase in amount due to holding company	984,386	19,219,404	-	18,851,328
(Increase)/decrease in net amount due from subsidiary companies	-	-	(968,068)	168,385
Balance carried forward	(1,257,972,830)	(94,328,500)	382,108,548	(224,217,818)

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	Group		Bank	
	2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Balance brought forward	(1,257,972,830)	(94,328,500)	382,108,548	(224,217,818)
(Decrease)/increase in amount due to related companies	(14,738,139)	15,548,609	(14,982,370)	12,506,527
Increase in cash held in segregated accounts	(287,005,294)	(70,222,684)	(169,724,117)	(27,413,621)
Increase/(decrease) in trade and other payables	2,039,896,120	(57,652,546)	278,995,610	17,702,338
Cash flow generated from/ (used in) operations	480,179,857	(206,655,121)	476,397,671	(221,422,574)
Income tax paid	(59,674,030)	(6,469,969)	(35,758,158)	(906,551)
Net cash generated from/ (used in) operating activities	420,505,827	(213,125,090)	440,639,513	(222,329,125)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net cash outflow from business merger with a subsidiary company	-	-	(13,608,251)	-
Additional investments in subsidiary companies	-	-	(24,050,000)	(29,231,000)
Acquisition of subsidiary companies	(1,572,602)	(26,573,374)	(162,990)	(117,597,329)
Investment in associated companies	(4,903,224)	-	(4,903,224)	-
Dividends received	2,505,032	129,457	25,418,718	7,130,737
Payment for a merchant banking licence	-	(52,500,000)	-	(52,500,000)
Payment for trading rights	-	(135,151)	-	-
Proceeds from sale/transfer of plant and equipment				
- to subsidiary company	-	-	-	120
- to related companies	49,000	1,585	49,000	1,585
Balance carried forward	(3,921,794)	(79,077,483)	(17,256,747)	(192,195,887)

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES (CONTD.)</b>				
Balance brought forward	(3,921,794)	(79,077,483)	(17,256,747)	(192,195,887)
Proceeds from disposal of plant and equipment	611,233	358,285	225,298	227,242
Purchase of software licence	(297,167)	-	(297,167)	-
Purchase of plant and equipment	(12,597,391)	(8,738,539)	(7,486,636)	(6,214,223)
Purchase of long-term investment	-	(75,725)	-	-
Net cash used in investing activities	<u>(16,205,119)</u>	<u>(87,533,462)</u>	<u>(24,815,252)</u>	<u>(198,182,868)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to shareholder	(65,305,800)	(23,376,000)	(65,305,800)	(23,376,000)
Dividends paid by subsidiary companies to minority interests	(9,512,711)	(6,696,732)	-	-
Drawdown/(repayment) of revolving credits	46,014,578	23,724,476	(30,000,000)	30,000,000
Payment of finance lease payables	(676,793)	(451,957)	-	-
Proceeds from issuance of ordinary shares	-	100,000,000	-	100,000,000
(Repayment)/drawdown of commercial papers	(260,000,000)	252,616,288	(260,000,000)	252,616,288
Proceeds from issuance of shares to minority shareholders	440,000	60,000	-	-
Net cash (used in)/generated from financing activities	<u>(289,040,726)</u>	<u>345,876,075</u>	<u>(355,305,800)</u>	<u>359,240,288</u>

**OSK INVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>NET INCREASE/(DECREASE)</b>				
<b>IN CASH AND CASH</b>				
<b>EQUIVALENTS</b>	115,259,982	45,217,523	60,518,461	(61,271,705)
<b>EFFECT OF EXCHANGE</b>				
<b>RATE CHANGES</b>	(5,329,364)	(334,152)	-	-
<b>CASH AND CASH</b>				
<b>EQUIVALENTS AT</b>				
<b>BEGINNING OF</b>				
<b>YEAR</b>	<u>117,505,648</u>	<u>72,622,277</u>	<u>(9,364,577)</u>	<u>51,907,128</u>
<b>CASH AND CASH</b>				
<b>EQUIVALENTS AT</b>				
<b>END OF YEAR</b>	<u>227,436,266</u>	<u>117,505,648</u>	<u>51,153,884</u>	<u>(9,364,577)</u>
<b>Cash and cash</b>				
<b>equivalents at end of</b>				
<b>year comprised:</b>				
Cash, bank balances and				
deposits-General accounts	229,462,913	128,569,806	51,153,884	1,174,073
Bank overdrafts	<u>(2,026,647)</u>	<u>(11,064,158)</u>	<u>-</u>	<u>(10,538,650)</u>
	<u>227,436,266</u>	<u>117,505,648</u>	<u>51,153,884</u>	<u>(9,364,577)</u>

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

**OSK INVESTMENT BANK BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007**

**1. GENERAL INFORMATION**

The Bank is a public company limited by shares, incorporated under the Companies Act, 1965 and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur. The Bank is a Participating Organisation of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Bank was granted Universal Broker status on 12 April 2001 and a merchant bank licence on 28 December 2006.

The holding company and ultimate holding company is OSK Holdings Berhad, a public company limited by shares, incorporated under the Companies Act, 1965, domiciled in Malaysia and listed on the Main Board of Bursa Securities. The Bank regards related companies as those companies which are subsidiary companies of the same ultimate holding company as disclosed in Note 44.

The Bank is principally engaged in stockbroking, futures and options broking, corporate advisory, debt securities, interbank market activities, corporate loans, wholesale deposit and other related activities. The Bank commenced its investment bank operations on 29 January 2007. The principal activities of the subsidiary and associated companies are described in Notes 26 and 27 respectively. Other than the acquisition of new subsidiary companies, investment in new associated companies and merger of futures and options broking business as disclosed in Notes 26, 27 and 47(a), there have been no significant changes in the nature of these activities during the year.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution on 30 January 2008.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the Group and the Bank are stated on the historical costs basis unless otherwise indicated. The financial statements are presented in Ringgit Malaysia ("RM"), unless otherwise indicated.

**(a) Statement of Compliance**

The financial statements of the Group and the Bank have been prepared in accordance with applicable Financial Reporting Standards in Malaysia.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD.)

### (a) Statement of Compliance (Contd.)

The Group and the Bank had received approval from Bank Negara Malaysia ("BNM") to comply with the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") not later than one year from the date of inception of its merchant bank status. As such, the Group and the Bank, has not early adopted the requirements of BNM/GP8 for the current financial year ended 31 December 2007.

### (b) Adoption of Financial Reporting Standards ("FRSs") for the Financial Period

The Group and the Bank have adopted the following FRSs and amendment that are mandatory for financial periods beginning on or after 1 October 2006 and 1 January 2007:

		<u>Effective date</u>
FRS 117	Leases	1 October 2006
FRS 124	Related Party Disclosures	1 October 2006
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 <sub>2004</sub>	Employee Benefits - Actuarial Gain and Losses, Group Plans and Disclosures	1 January 2007

The Group has early adopted the Amendment to FRS 121 - "The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation" during the financial year, from the mandatory implementation date of 1 July 2007.

The adoption of FRS 117 and FRS 124 and Amendment to FRS 121 do not result in significant changes in accounting policies of the Group and the Bank.

FRS 6 and Amendment to FRS 119<sub>2004</sub> are not applicable to the Group and the Bank and thus the adoption of these FRS and Amendment will not have any impact to the financial statements.

### (c) Significant Accounting Judgements and Estimates

The preparation of financial statements in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimates and judgements are continually evaluated and are based on past experiences, reasonable expectations of future events and other factors.

## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD.)**

### **(c) Significant Accounting Judgements and Estimates (Contd.)**

#### **(i) Judgements**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

#### **Presentation of Balance Sheets**

The Group and the Bank as a licensed financial institution from 29 January 2007, have amended the presentation of assets and liabilities in decreasing order of liquidity and without any classification of current/non-current presentation on the face of the balance sheets, as permitted by FRS 101 paragraph 54.

The directors have adopted this format of presentation as the Bank does not supply goods or services with a clearly identifiable operating cycle. Therefore, the revised method of presentation will provide information that is more relevant and similar to the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"), that the Bank has to adopt for the coming financial year ending 31 December 2008. Nevertheless, information relating to any assets or liabilities with period of maturity of more than 12 months will be disclosed in the relevant notes to the financial statements.

The directors have not adopted the suggested format of 'mixed presentation' as permitted by FRS 101 paragraph 55 where some of the assets and liabilities are presented using a current/non-current classification whilst others are in the order of liquidity, on the grounds that this presentation format may not be comparable to industry practice.

#### **Presentation of the Income Statement**

The Group and the Bank as a licensed financial institution from 29 January 2007, have amended its presentation of income statement by presenting its income and expenses by nature that are more consistent with a licensed financial institution, similar to the requirements of BNM/GP8, that the Bank has to adopt for the coming financial year ending 31 December 2008.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD)

### (c) Significant Accounting Judgements and Estimates (Contd.)

#### (i) Judgements (Contd.)

##### **Underlying Securities of the Basket CW**

The Bank had since 30 November 2005 offered Zero-Strike Basket Call Warrants (“Basket CW”), that were listed on Bursa Securities (Note 50). The underlying securities of the Basket CW are not recognised in the financial statements of the Group and the Bank for accounting purposes as substantially the risks and rewards incidental to ownership of the underlying securities have been transferred to the Basket CW holders.

#### (ii) Estimation Uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group’s accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions and other sources of estimation at the balance sheet date that potentially post a risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next twelve months from 31 December 2007 are discussed below:

##### **Impairment of Goodwill and Other Intangible Assets**

The Group determines whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More detailed disclosure on the assessment of impairment of goodwill and other intangible assets are in Note 30.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD.)

### (c) Significant Accounting Judgements and Estimates (Contd.)

#### (ii) Estimation Uncertainty (Contd.)

##### Depreciation of Plant and Equipment

The cost of computer equipment is depreciated on a straight line basis over the equipment's useful lives. Management estimates the useful lives of these equipment to be within 3 to 7 years. These reflect the historical and expected useful economic lives of the Group's and the Bank's assets. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### (d) FRSs and Interpretations Issued But Not Yet Effective

The Group and the Bank had not adopted the following FRSs and Interpretations which have effective dates as follows:

<b>FRSs and Interpretations</b>	<b>Effective for Financial Periods Beginning On or After</b>
FRS 139 Financial Instruments: Recognition and Measurement	Deferred
FRS 107 Cash Flow Statements	1 July 2007
FRS 111 Construction Contracts	1 July 2007
FRS 112 Income Taxes	1 July 2007
FRS 118 Revenue	1 July 2007
FRS 119 Employee Benefits	1 July 2007
FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 126 Accounting and Reporting by Benefit Plans	1 July 2007
FRS 129 Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 134 Interim Financial Reporting	1 July 2007
FRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD.)

### (d) FRSs and Interpretations Issued But Not Yet Effective (Contd.)

<b>FRSs and Interpretations</b>	<b>Effective for Financial Periods Beginning On or After</b>
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Bank upon their initial application except possibly for FRS 139 which is exempted from disclosure.

### (e) BNM/GP8 Not Yet Adopted

The Group and the Bank have not yet adopted BNM/GP8 for the current financial year ended 31 December 2007, as permitted by BNM. The adoption of BNM/GP8 in the financial year ending 31 December 2008 will result in the following changes in accounting policies.

#### (i) Accounting for Investments

The Group and the Bank currently classify its securities portfolio as short term or long term investments and these were accounted for at the lower of cost or market/fair value on an aggregate portfolio basis.

Upon the adoption of BNM/GP8, the Group and the Bank will have to classify and account for its securities portfolio as follows:

- Securities held-for-trading, to be stated at fair value with gain or loss recognised in the income statement.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTD.)

### (e) BNM/GP8 Not Yet Adopted (Contd.)

#### (i) Accounting for Investments (Contd.)

- Securities available-for-sale, to be stated at fair value or cost (where fair value cannot be determined with reasonable certainty) less any impairment loss. Fair value gain or losses are recognised in equity and impairment losses are recognised in the income statement.
- Securities held-to-maturity, to be stated at amortised cost, less any impairment losses. Amortisation and impairment loss are recognised in the income statement.

#### (ii) Accounting for Derivative Financial Assets and Liabilities

The Group and the Bank currently account for their derivative financial assets at the lower of cost or market/fair value on an aggregate portfolio basis; and their derivative financial liabilities at cost. Derivative financial assets were held for the purpose of hedging against derivative financial liabilities.

Upon the adoption of BNM/GP8, the Group and the Bank will have to adopt a mark-to-market approach where both derivative financial assets and liabilities are to be stated at fair value with corresponding gain or loss recognised in the income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Consolidation

#### (i) Subsidiary Companies

The consolidated financial statements include the financial statements of the Bank and all of its subsidiary companies. The financial statements of the subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiary companies are those companies in which the Group has a long term equity interest, where it has power to exercise control over the financial and operating policies or controls the composition of the Board of Directors so as to obtain benefits therefrom.

The carrying amount of the Bank's investment in subsidiary companies is eliminated on consolidation as well as all intragroup balances and transactions and resulting unrealised profits and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(a) Basis of Consolidation (Contd.)**

##### **(i) Subsidiary Companies (Contd.)**

Separate disclosure is made of minority interests that represents part of the net result of operations and the net assets of subsidiary companies attributable to interests which are not owned, directly or indirectly through subsidiary companies, by the Bank.

Minority interests in the net income of the consolidated subsidiary companies for the reporting financial period are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Bank.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The excess over the cost of acquisition and the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary companies at the date of acquisition represents goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(d). The excess of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary over the cost of acquisition is recognised in the income statement on the date of acquisition.

##### **(ii) Associated Companies**

Associated companies are those entities in which the Group hold a long term equity interest, have representation on the Board of Directors and are in a position to exercise significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies. The equity method of accounting involves recognition of the Group's share of the results of associated companies in the consolidated income statement. The Group's investments in associated companies are carried in the consolidated balance sheet at an amount that reflects its share of net assets of the associated companies and goodwill on acquisition. Goodwill is not amortised.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (a) Basis of Consolidation (Contd.)

##### (ii) Associated Companies (Contd.)

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(e).

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

The reporting dates of the associated companies and the Group are identical and the associated companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### (b) Plant and Equipment and Depreciation

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

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

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Furniture and fittings	10% - 15%
Renovations	10% - 15%
Motor vehicles	15% - 20%
Office equipment	15% - 33 ⅓%

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(b) Plant and Equipment and Depreciation (Contd.)**

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

#### **(c) Investments in Subsidiary Companies and Associated Companies**

Investments in subsidiary companies and associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(e). Impairment loss is recognised in the income statement of the Bank.

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

#### **(d) Intangible Assets**

##### **(i) Goodwill on Consolidation**

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the assets, liabilities and contingent liabilities of the acquired subsidiary/associate/business at the date of acquisition. Goodwill on consolidation is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill on acquisition of subsidiary companies is included in intangible assets. Goodwill on acquisition of associated company is included in "investments in associated companies". Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill on consolidation is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

##### **(ii) Purchased Goodwill**

This represents the excess of the purchase price over the fair value of the attributable net assets of the business acquired. Purchased goodwill is stated at cost less accumulated amortisation and accumulated impairment losses.

Purchased goodwill is tested for impairment annually, or more frequently if events of changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in income statement and subsequent reversal is not allowed.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (d) Intangible Assets (Contd.)

##### (iii) Merchant Bank Licence

This represents contribution to Bank Negara Malaysia ("BNM") for a merchant bank licence to transform the Bank from a Universal Broker into an Investment Bank. The merchant bank licence has indefinite useful life and is stated at cost less accumulated impairment losses.

Merchant bank licence is not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in the income statement.

##### (iv) Trading Rights

The trading rights with The Stock Exchange of Hong Kong and Hong Kong Futures Exchange are recognised as intangible assets in the balance sheets. Trading rights have indefinite useful lives until and unless modified by the respective exchanges and are stated at cost less accumulated impairment losses.

Trading rights are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss is recognised in the income statement.

##### (v) Software Licence

The Group has developed the following criteria to identify computers software or licence to be classified as property, plant or equipment or intangible asset:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment; and
- Application software that is being used on a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(d) Intangible Assets (Contd.)****(v) Software Licence (Contd.)**

Software licence acquired separately are measured on initial recognition at cost. Following initial recognition, software licence are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful life of all software licence are generally assessed as finite and are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the software licence may be impaired. The amortisation period and the amortisation method for software licence are reviewed at least at each balance sheet date. The useful economic life of software licence classified as intangible assets is 6 to 7 years.

**(e) Impairment of Non-Financial Assets**

The carrying amounts of assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The recoverable amount is the greater of the asset's net selling price and its value in use, which is measured by reference to the discounted future cash flows. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment loss is recognised in the income statement immediately. In the event of recognition of an impairment loss, the depreciation charge for the asset will be adjusted in future periods to allocate the asset's revised carrying amount less its residual value on a systematic basis over its remaining useful life.

Impairment loss other than in respect of the goodwill is reversed when there has been a change in the estimates used to determine the asset's recoverable amount, which causes an increase in the recoverable amount. Impairment loss in respect of goodwill is not reversed in subsequent periods.

Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

**(f) Cash Flow Statements and Cash and Cash Equivalents**

The cash flow statement is prepared using indirect method. Changes in cash and cash equivalents are classified into operating, investing and financing activities.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(f) Cash Flow Statements and Cash and Cash Equivalents (Contd.)**

Cash and cash equivalents comprise cash in hand and at banks inclusive of deposits at call and highly liquid investments which have an insignificant risk of changes in value less bank overdrafts, excluding bank balances, placements and deposits under segregated accounts held in trust.

#### **(g) Repurchase Agreements**

Securities purchased under resale agreements are securities which the Bank had purchased with commitments to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Obligations on securities sold under repurchase agreements are securities which the Bank had sold from its portfolio, with commitments to repurchase at future dates and are reflected as a liability on the balance sheet. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the balance sheets.

#### **(h) Other Long Term Investments**

Other long term investments comprise transferable club memberships and unquoted investments in and/or outside Malaysia.

The transferable club memberships and unquoted shares are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(e).

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

#### **(i) Short Term Investments**

Investments in marketable securities are stated at the lower of cost and market value whilst the investments in unquoted fixed income securities are stated at the lower of adjusted cost and indicative value, all determined on an aggregate portfolio basis. Cost is derived using the weighted average cost basis.

Market value of marketable securities is calculated by reference to stock exchange quoted selling price at the close of business on the last market day on or prior to the balance sheet date. Indicative value of unquoted fixed income securities is calculated by reference to the price provided by the bonds information service provider at the close of business on the last market day on or prior to the balance sheet date.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(i) Short Term Investments (Contd.)**

Reduction in the carrying amount of investments and the reversal of such reduction are taken to the income statement.

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

#### **(j) Fund Manager's Stocks**

Fund Manager's stocks represent units held by the unit trust subsidiary company in unit trust funds and are stated at the lower of cost and market value. Cost is determined on weighted average cost basis. Market value of the trust units is based on the daily underlying value of the investments of the respective trust funds.

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

#### **(k) Trade and Other Receivables**

Trade receivables and other receivables are stated at gross amount less allowances for bad and doubtful debts and interest-in-suspense. Allowances for bad and doubtful debts are made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the receivables is also made to cover possible losses which are not specifically identified, at the balance sheet date.

Known bad debts are written off to income statement when identified.

The policies on identification of non-performing accounts, specific allowance for bad and doubtful debts, maintenance of a general allowance account and suspension of interest are in accordance with the Rule 1104 of Bursa Malaysia Securities Berhad.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(l) Loans, Advances and Financing and Allowance for Bad and Doubtful Debts**

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts.

Allowance for bad and doubtful debts are made with regard to specific risks and relate to those loans that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general allowance based on a percentage of total loans outstanding (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Bank against risks which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of management, there is no prospect of recovery.

The policy on allowances for non-performing loans of the Group is in conformity with the minimum requirements of BNM's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

#### **(m) Statutory Deposit with Bank Negara Malaysia and Deposits and Placements With Financial Institutions**

These deposits and placements are stated at placement values.

#### **(n) Trade and Other Payables**

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

Trade payables in respect of the stock-broking business represent contra gains owing to non-margin clients and outstanding sale contracts of the Bank which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the stock-broking business is determined by the regulatory authorities in the market in which the Group operates. Clients and trust monies relate to monies owing to clients maintained in segregated accounts of the Bank.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(o) Finance Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating lease.

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balances of the liability. Finance charges are charged to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

#### **(p) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### **(q) Contingent Liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **(r) Deposits and Placements from Customers and Financial Institutions**

These deposits and placements are stated at placement values.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (s) Interest-Bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of unamortised discount and transaction costs.

Borrowing costs are recognised as an expense in the income statement in the financial year in which they are incurred.

#### (t) Foreign Currency Conversion and Translation

##### (i) Transactions in Foreign Currencies

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

##### (ii) Translation of Financial Statements of Foreign Entity

Assets and liabilities of foreign entities are translated into Ringgit Malaysia at the rates of exchange ruling on the balance sheet date while income and expense items are translated at the average rates of exchange for the year, at rate that approximates the actual exchange rate. The translation differences arising therefrom are taken into Foreign Exchange Reserve and are taken to the income statement upon the disposal of the foreign entity.

#### (t) Foreign Currency Conversion and Translation

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisitions are translated at closing rate.

The exchange rates used in translation are as follows:

	As at 31.12.2007	As at 31.12.2006
<u>Closing rate</u>		
Singapore Dollar ("SGD")	2.2938	2.3028
Hong Kong Dollar ("HKD")	0.4238	0.4543

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(u) Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

#### **(v) Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the financial year in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

#### **(w) Derivative Financial Instruments**

##### **(i) Derivative Financial Assets**

Investment in derivative financial assets is initially recognised at cost plus attributable transaction costs on the date a derivative contract is entered into.

Subsequently, investment in derivative financial assets is measured at the lower of cost and indicative value on an aggregate portfolio basis. Cost is derived using the weighted average basis. The indicative value of unquoted derivative financial assets is based on prices obtained from reputable dealers at the close of business on the last market day on or prior to the balance sheet date. Reduction in the carrying amount of investments and the reversal of such reduction is taken to the income statement.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(w) Derivative Financial Instruments (Contd.)**

##### **(i) Derivative Financial Assets (Contd.)**

Derivative financial assets are derecognised either upon termination in full or part thereof of such derivative assets. On termination of a derivative asset, the difference between the net disposal proceeds and its carrying amount is recognised as gains or losses in the income statement.

##### **(ii) Derivative Financial Liabilities**

Derivative financial liabilities represent the initial offer price of non-collateralised American-style cash settled call warrants over certain quoted shares (CW) received by the Bank from CW holders upon the sale of the CW. The CW liabilities are stated at cost.

Gains on CW are recognised upon the expiry of the CW, if the CW holders did not exercise their CW during the exercise period, or upon any exercise of CW during the exercise period by the CW holders at an exercise price which would result in the cash settlement sum paid by the Bank being less than the initial offer price of the CW.

CW liabilities are extinguished and losses are recognised immediately upon the exercise of CW during the exercise period by the CW holders at an exercise price which would result in the cash settlement sum paid by the Bank exceeding the initial offer price of the CW.

#### **(x) Operating Revenue**

Operating revenue of the Group comprises all types of revenue derived from stock-broking, investment banking, futures and options broking, management of unit trust, sales of unit trust units and trustee services, but excluding all related companies transactions.

Operating revenue of the Bank comprises revenue derived from stock-broking, investment banking, interest income and other operating revenue.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### (y) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Income from the various business activities of the Group is recognised using the following bases:

- (i) Gross brokerage fees are recognised on an accrual basis upon the execution of trade on behalf of the clients, computed based on a pre-determined percentage of the contract value.
- (ii) Interest income from clients is generally recognised for all interest bearing assets on an accrual basis except when the receivable is classified as non-performing. Interest income from non-performing accounts will be suspended until it is realised on a cash basis, except for margin accounts where interest will be suspended until the account is reclassified as performing account. Classification as non-performing accounts is dealt with in accordance with the relevant rules of Bursa Securities.
- (iii) Interest income from fixed income instruments, short-term placements and fixed deposits with licensed financial institutions is accrued on a time-apportioned basis.
- (iv) Carrying charges are recognised on an accrual basis.
- (v) Arrangement, agency fees, placement fees and underwriting commission are recognised when it is certain that the economic benefits associated with the transaction will flow to the entity.
- (vi) Fees from advisory and corporate finance activities are recognized on completion of each stage of the assignment.
- (vii) Gain/(loss) on disposal of investments is recognised upon the transfer of risks and rewards of ownership.
- (viii) Service charges from the sale of unit trusts are recognised upon allotment of units, net of cost of units sold.
- (ix) Fees earned from the management of unit trust funds are recognised on an accrual basis.
- (x) Will writing fees, custodial and service charges on trustee and nominees services are recognised on an accrual basis upon performance of services.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

#### **(y) Revenue Recognition (Contd.)**

- (xi) Dividend income is recognised when the right to receive payment is established.
- (xii) Rental income is recognised on an accrual basis when it falls due.
- (xiii) Handling fee income is recognised when service is rendered.
- (xiv) Gain or loss on call warrants offered is recognised upon the exercise or expiry of the call warrants in accordance with the terms of the call warrants.
- (xv) Other revenue is recognised on an accrual basis.

#### **(z) Employee Benefits**

##### **(i) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### **(ii) Defined Contribution Plans**

As required by law, companies in Malaysia make contributions to their respective statutory pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

##### **(iii) Share-based Compensation**

OSK Holdings Berhad Group adopts an equity-settled, share-based compensation scheme as disclosed in its financial statements. The fair value of the share options issued by the holding company to the Group's employees is recognised as an expense in the income statement over the vesting period of the grants.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(z) Employee Benefits (Contd.)****(iii) Share-based Compensation (Contd.)**

The total amount to be recognised as compensation expense is determined by reference to the fair value of share options at the date of the grant and the number of share options granted or the incremental fair value before and after modification of the terms of the Employees Share Option Scheme. The fair value of the share option is computed using a binomial model.

**(aa) Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### 4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies were established to ensure adequate financial resources are available for business development and manage its credit, liquidity, cash flow, market, interest rate and currency risks. The Group manages and allocates its capital resources centrally to ensure that all business units of the Group maintain the required level of capital and prudent level of liquidity at all times. The Group operates within clearly defined guidelines that are approved by the Board of Directors and within the guidelines imposed by the relevant authorities in respect of firewall restrictions for the Bank.

The Group's stockbroking business in Malaysia is supervised by the Securities Commission ("SC") and Bursa Securities. The Bank is required to maintain the Risk Weighted Capital Ratio in accordance with the rules of Bank Negara Malaysia. The Group's stockbroking business in Singapore and Hong Kong are supervised by their respective authority bodies.

The Group's futures and options broking business in Malaysia is required to comply with the business rules of Bursa Malaysia Derivatives Berhad ("Bursa Derivatives") and Bursa Malaysia Derivatives Clearing Berhad and operational and financial requirements of Bursa Derivatives.

The Group's unit trust business in Malaysia are supervised by SC and are required to adhere to the guidelines issued by the SC, which the subsidiary company has complied with.

The Group's policies in respect of the major areas of financial risk activities are set out as follows:

##### (a) Credit Risk

Credit risk is the risk of default by clients. The Group conservatively manages its credit risk by controlling the granting of credit approvals, revision in limits and other monitoring procedures. The Group authorises the credit approval authorities of its subsidiary companies in Singapore and Hong Kong and monitors these subsidiary companies through regular group-wide reporting procedures. Credit risk is minimised via emphasising the Group's associations with business partners of high creditworthiness and enforcement of margin call, force selling and other daily monitoring procedures. A credit approval authority limit structure approved by the Board of Directors is in place for the granting of credit facilities of the Group. Loan, advances and financing, trade and financial receivables are monitored on a timely and ongoing basis via group-wide management reporting procedures.

Allowances for bad and doubtful debts are made and interest income is suspended in accordance with the relevant rules of the respective jurisdictions or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts for the corporate lending and stockbroking businesses. Write-off of debts against specific allowances are made only when avenues of recovery have been exhausted and the loans are deemed to be irrecoverable in the foreseeable future.

#### **4. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

##### **(a) Credit Risk (Contd.)**

Exposure in credit risk also arises from financial transactions with risk of default with counter parties in debt instruments and money market activities. The exposure of such risk is mitigated via preventive risk management measure in limiting the activities within pre-set exposure limit in accordance with the Group's overall risk appetite.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors, which has been established to ensure that the overall objectives in the area of lending are achieved. Allowances for bad and doubtful debts are made and interest income is suspended in accordance with BNM/GP3 guidelines.

##### **(b) Liquidity Risk**

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulties in maintaining and raising funds to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is primarily managed through the Bank Negara Malaysia New Liquidity Framework which takes into consideration the contractual and behavioural cash flows of assets, liabilities and off-balance sheet commitments, and also the realisable cash value of liquefiable assets. Liquidity risk management is supplemented by internal liquidity risk management policy.

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets and a flexible, cost-effective borrowing structure. The Group's policy seeks to ensure that all projected net borrowing needs are covered by committed facilities. In addition, debt maturities are closely monitored to ensure that the Group is able to meet its obligations as and when they fall due and any refinancing needs are met.

The Group manages the funding needs and allocates funds in such manner that all business units maintain optimum levels of liquidity which are sufficient for their operations.

##### **(c) Cash Flow Risk**

Cash flow risk is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. Cash flow forecasts are prepared taking into account all major transactions. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term placements and fixed deposits as and when available with a wide array of licensed financial institutions at the most competitive interest rates obtainable.

#### **4. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**

##### **(d) Market Risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The Group participates in arbitrage activities involving derivatives. The risk of loss in value is minimised via adherence of qualifying criteria before making the investments and by continuous monitoring of the performance and medium term market risk of the investment. Allowances are made in the income statement for adverse changes in the fair values of short to medium term investments whilst reversals are recognised to the extent of the allowances previously made. Except for fixed income instruments where accretion and amortisation are provided for long term investments, changes in the market values of other long term investments do not affect the book value of the investments unless there is an indication of impairment in value.

In respect of fixed income investments, reversals are made immediately to the extent of the allowances previously made in the income statement when the adverse condition which leads to the impairment of assets no longer exists.

The Group invests in marketable securities and unquoted derivative financial assets in Malaysia, Hong Kong, United States and Singapore. External conditions such as global and domestic economic climates that are generally unpredictable and uncontrollable may affect the overall performance of the Group.

##### **(e) Interest Rate Risk**

Interest rate risk is the risk that the value or yield of a financial instrument will fluctuate due to changes in market interest rate. A mix of floating rate borrowings based on banks' base lending rates or cost of funds are monitored by the Group to enable benefits to be enjoyed if interest rates fall. The floating rate borrowings are monitored and negotiated according to changes in the interest rates to ensure that the Group benefits from enjoying the lowest possible finance cost. The Group does not generally hedge interest rate risks. However, hedging of risks through the use of medium term financial instruments may be adopted should its use result in cost savings. The Group has some investments in financial instruments where the value or yield will change in accordance to market interest rate. Some of these investments may have maturity of more than one year, but they are held for short term trading and not hedged. Should the financial instruments become long term and significant, the hedging process may be initiated.

#### 4. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

##### (f) Currency Risk

The currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Other than performing trading and settlement of transactions for clients denominated in Hong Kong Dollar and Singapore Dollar and investing in short term investments and derivative financial assets denominated in Hong Kong Dollar, Singapore Dollar and United States Dollar, the Group is not exposed to any other significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group.

Currency risks relating to operating activities in the ordinary course of business of the Group are minimal and hedged through operational course of business. Currency exposures arising on the holding of monetary assets and liabilities denominated in foreign currencies, mainly short term investments, derivative financial assets, bank balances and deposits with financial institutions are deemed insignificant in relation to the Group's activities.

Foreign exchange translation differences arising on the consolidation of subsidiary companies with Singapore Dollar and Hong Kong Dollar as functional currencies are recorded and disclosed as foreign exchange reserve as part of shareholders' fund of the Group. The Group does not hedge the value of its foreign currency denominated investments in subsidiary companies.

Overseas businesses, by its nature, are subject to risks including, but not limited to changing economic conditions, changes in global political scenes, changes in financial and trade regulations and foreign exchange rate volatility. Overall, the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation.

In dealing with its stewardship, the Board of Directors recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that any system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by its business units as well as regularly reviewing and enhancing risk mitigation strategies.

**5. INTEREST INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Stock-broking and futures and options broking clients	58,732,662	22,031,973	37,542,759	19,243,175
Deposits and placements with financial institutions	22,541,162	5,285,911	18,276,398	2,094,674
Fixed income instruments *	33,950,025	18,760,521	33,950,025	18,760,521
Money market instruments *	14,747,529	-	14,747,529	-
Loans, advances and financing	3,661,827	-	3,661,827	-
Securities purchased under resale agreements	3,763,664	-	3,763,664	-
Others	194,894	610,077	160,583	-
	<u>137,591,763</u>	<u>46,688,482</u>	<u>112,102,785</u>	<u>40,098,370</u>

\* These interest income are inclusive of amortisation of premium, net of accretion of discount of RM298,742 (2006: nil).

**6. INTEREST EXPENSE**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deposits from customers	50,172,489	-	50,172,489	-
Deposits and placements of financial institutions	719,956	3,594,451	719,956	3,594,425
Bank overdrafts, revolving credits and short term loan	6,790,564	2,406,464	89,246	1,880,381
Commercial papers	5,886,014	1,497,699	5,886,014	1,497,699
Obligations on securities sold under repurchase agreements	4,608,110	-	4,608,110	-
Finance lease payables	128,830	39,302	-	-
	<u>68,305,963</u>	<u>7,537,916</u>	<u>61,475,815</u>	<u>6,972,505</u>

**7. FEE AND COMMISSION INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Advisory, agency and arrangement fees	20,518,394	12,856,179	14,695,186	12,508,504
Carrying charges	7,633,352	3,033,099	7,633,352	3,033,099
Commission income	414,079	12,650	2,744,729	720,598
Custodian and service charges	1,976,488	698,661	25,749	29,841
Fees earned from management of unit trust funds	38,954,215	26,003,545	-	-
Gross brokerage fees	589,619,645	221,705,134	322,309,302	138,928,833
Handling fee	726,727	382,105	-	-
Placement fees	13,315,490	2,422,659	7,458,474	1,605,438
Loan processing, facility and commitment fees	1,009,161	-	1,009,161	-
Management fee	500,000	-	500,000	-
Service charges on sale of trust units	99,909,490	40,196,289	-	-
Underwriting fees	7,521,610	4,692,373	7,407,439	4,692,373
Trustee fees	2,316,851	1,155,688	-	-
Will writing fees	176,101	499,827	-	-
	<u>784,591,603</u>	<u>313,658,209</u>	<u>363,783,392</u>	<u>161,518,686</u>

**8. INVESTMENT AND TRADING INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Gain on disposal of:				
- fixed income instruments	33,615,527	25,396,697	33,615,527	25,141,288
- marketable securities	15,000,048	497,377	14,775,785	497,377
- money market instruments	639,571	-	639,571	-
- investment in an associated company	598	-	-	-
Net gain from realisation of derivative financial instruments	55,553,219	-	55,553,219	-
Balance carried forward	<u>104,808,963</u>	<u>25,894,074</u>	<u>104,584,102</u>	<u>25,638,665</u>

**8. INVESTMENT AND TRADING INCOME (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Balance brought forward	104,808,963	25,894,074	104,584,102	25,638,665
Gross dividend income				
- quoted securities				
in Malaysia	2,054,840	171,501	2,054,840	171,500
- quoted securities				
outside Malaysia	673,617	-	32,403	-
- unquoted securities				
in Malaysia	147,000	-	147,000	-
- unquoted associated				
companies in				
in Malaysia	-	-	227,500	-
- unquoted subsidiary				
companies in Malaysia	-	-	23,470,000	-
- unquoted subsidiary				
company outside				
Malaysia	-	-	6,421,802	-
Reversal of allowance for				
diminution in value of:				
- investment in associated				
companies	-	-	739,481	-
- Fund Manager's stocks	-	4,353	-	-
- marketable securities	744,499	938,703	744,499	935,409
Allowance for diminution				
in value of:				
- marketable securities	(3,245)	-	-	-
- private debt securities	(4,086,354)	-	(4,086,354)	-
- Fund Manager's stocks	(376,513)	-	-	-
Impairment loss on:				
- intangible assets	-	(87,325)	-	-
- investment in				
associated companies	-	(2,649,562)	-	(739,481)
- investment in a				
subsidiary company	-	-	(682,062)	-
Provision for foreseeable				
loss on structured				
warrant liabilities	(6,711,532)	-	(6,711,532)	-
	<u>97,251,275</u>	<u>24,271,744</u>	<u>126,941,679</u>	<u>26,006,093</u>

**9. OTHER INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Gain on disposal of plant and equipment (net)	54,055	195,009	57,507	103,447
Realised gain on foreign exchange	11,947,954	1,338,240	5,128,740	345,901
Office rental from:				
- subsidiary companies	-	-	267,325	188,354
- related company	17,525	98,704	17,525	98,704
Others	5,131,494	2,935,694	2,310,302	1,532,208
	<u>17,151,028</u>	<u>4,567,647</u>	<u>7,781,399</u>	<u>2,268,614</u>

**10. OTHER EXPENSES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Personnel costs</b>				
- directors' remuneration	12,143,767	13,073,502	12,143,767	13,073,502
- salaries, wages, allowances, bonus and gratuity	153,507,771	73,291,005	73,314,850	41,555,885
- pension costs - defined contribution plan	9,958,477	6,799,426	6,970,571	5,007,111
- social security costs	624,364	495,215	531,442	432,360
- fair value of OSKH's ESOS shares granted	-	1,931,797	-	1,539,450
- incremental fair value of OSKH's ESOS shares from modification	1,156,790	-	980,887	-
- other staff related expenses	3,942,347	1,890,300	2,357,337	1,069,915
	<u>181,333,516</u>	<u>97,481,245</u>	<u>96,298,854</u>	<u>62,678,223</u>

**10. OTHER EXPENSES (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Establishment costs</b>				
- depreciation of plant and equipment	11,458,853	10,182,556	7,916,064	8,330,047
- plant and equipment written off	683,683	819,780	683,683	819,236
- amortisation of software licence	22,989	-	22,989	-
- rental of equipment	2,553,511	2,448,475	2,116,676	2,262,590
- rental of premises paid to:				
- related companies	8,147,141	7,757,598	7,142,658	6,901,665
- others	9,385,954	5,367,856	3,172,851	2,952,184
- repairs and maintenance	4,814,134	4,054,569	4,144,220	3,697,890
- electricity, water and sewerage charges	2,785,884	2,062,200	2,128,667	1,847,563
- others	464,782	465,161	271,018	273,566
	40,316,931	33,158,195	27,598,826	27,084,741
<b>Marketing and trading expenses</b>				
- advertisement and promotions	10,468,822	2,812,378	6,702,062	1,582,718
- Bursa Depository charges	234,897	328,382	234,897	328,382
- commission to dealer's representatives	179,482,885	59,995,047	98,507,242	39,010,265
- commission to unit trust and trustee agents	101,410,194	44,582,422	-	-
- Fund Manager's fees	10,046,354	6,056,317	-	-
- referral and agent fees	2,061,489	5,863,948	2,051,666	5,863,948
- research costs to a subsidiary company	-	-	3,759,267	2,993,548
- Securities Commission levy and trading fees	6,877,347	5,692,729	5,688,179	2,443,607
- share handling charges	2,035,620	1,285,664	2,035,620	1,286,286
- travelling expenses	3,275,729	2,445,696	2,115,203	1,803,952
- others	22,279,682	4,883,948	7,530,419	4,648,643
	338,173,019	133,946,531	128,624,555	59,961,349

**10. OTHER EXPENSES (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Administration and general expenses</b>				
- auditors' remuneration	898,882	446,110	315,000	90,250
- bank facilities				
commitment fees	1,314,634	3,879,869	1,314,634	3,879,869
- capital guaranteed fee	769,835	-	-	-
- compensation costs for legal suits	500,000	2,000,000	500,000	2,000,000
- loss on foreign exchange				
- unrealised	3,769,078	-	3,603,665	-
- online trading access fee	5,112,889	4,287,269	5,023,749	4,240,079
- provision for interest cost (Note c)	2,789,292	2,158,778	2,789,292	2,158,778
- telecommunication charges	7,356,042	5,057,082	6,163,734	4,319,559
- others	38,223,244	20,125,587	16,087,558	8,246,627
	60,733,896	37,954,695	35,797,632	24,935,162
<b>Total overheads</b>	<b>620,557,362</b>	<b>302,540,666</b>	<b>288,319,867</b>	<b>174,659,475</b>

Included in other operating expenses are the following disclosures:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Auditors' remuneration</b>				
(i) Audit fees				
- current year	700,916	398,860	110,000	85,000
- overprovision in prior year	(17,034)	-	-	-
(ii) Other services				
- current year	215,000	47,250	205,000	5,250
	898,882	446,110	315,000	90,250

**10. OTHER EXPENSES (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors' remuneration (Note a)				
(i) Fees	660,000	60,000	660,000	60,000
(ii) Other emoluments	11,483,767	13,013,502	11,483,767	13,013,502
	<u>12,143,767</u>	<u>13,073,502</u>	<u>12,143,767</u>	<u>13,073,502</u>

**Note (a)**

The details of remuneration receivable by the directors of the Bank during the year are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Directors of the Bank</b>		
<b>Executive:</b>		
Fee	100,000	48,000
Other emoluments:		
- salaries, allowances and bonus	10,070,304	10,985,175
- benefits-in-kind	36,613	143,709
Total short-term employee benefits	<u>10,206,917</u>	<u>11,176,884</u>
- post employment benefits - defined contribution plan	1,114,674	1,504,977
- fair value of OSKH's ESOS shares granted	-	523,350
- incremental fair value of OSKH's ESOS shares from modification	298,789	-
	<u>11,620,380</u>	<u>13,205,211</u>
<b>Non-executive:</b>		
Fee/short-term employment benefits	<u>560,000</u>	<u>12,000</u>

**10. OTHER EXPENSES (CONTD.)****Note (a) (Contd.)**

The number of directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed as follows:

	<b>Number of directors</b>	
	<b>2007</b>	<b>2006</b>
<b>Executive:</b>		
RM50,000 and below	3	-
RM50,001 up to RM100,000	1	-
RM100,001 up to RM150,000	1	-
RM150,001 up to RM200,000	-	1
RM250,001 up to RM300,000	1	-
RM300,001 up to RM350,000	-	2
RM400,001 up to RM450,000	-	1
RM500,001 up to RM550,000	1	-
RM550,001 up to RM600,000	-	2
RM2,650,001 up to RM2,700,000	-	1
RM8,000,001 up to RM8,050,000	-	1
RM10,200,001 up to RM10,250,000	1	-
	<u>8</u>	<u>8</u>
<b>Non-Executive:</b>		
RM50,000 and below	-	2
RM50,001 up to RM100,000	1	-
RM100,001 up to RM150,000	4	-
	<u>5</u>	<u>2</u>

**Note (b)**

The details of remuneration receivable by other key management personnel of Group and the Bank during the year are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short-term employee benefits	27,016,618	11,956,737	14,587,197	4,193,171
Post-employment benefits				
- defined contribution plan	1,528,068	704,989	1,197,417	487,872
Fair value of OSKH's ESOS				
- shares granted	-	469,000	-	343,300
- modification	208,989	-	139,482	-
	<u>28,753,675</u>	<u>13,130,726</u>	<u>15,924,096</u>	<u>5,024,343</u>
Total key management personnel including directors	<u>40,934,055</u>	<u>26,347,937</u>	<u>28,104,476</u>	<u>18,241,554</u>

**10. OTHER EXPENSES (CONTD.)****Note (c)**

Provision for interest cost is pertaining to litigation claims disclosed in Note 49(a) and (c).

**11(a). ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Allowance for losses on loans, advances and financing				
- general allowance	4,079,433	-	4,079,433	-

**11(b). ALLOWANCE FOR/(WRITE BACK OF) BAD AND DOUBTFUL DEBTS ON TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Allowance for bad and doubtful debts on trade and and other receivables:				
- specific allowance				
- made during the financial year	17,799,696	7,390,261	14,830,405	6,934,819
- written back during the financial year	(13,732,200)	(9,721,140)	(13,732,200)	(9,721,140)
	4,067,496	(2,330,879)	1,098,205	(2,786,321)
- general allowance				
- written back during the financial year	(136,678)	-	(136,678)	-
- made during the financial year	-	25,457	-	25,457
- bad debts:				
- recovered	(27,920)	(55,922)	(12,315)	(12,126)
- written off	3,704	167	-	-
	3,906,602	(2,361,177)	949,212	(2,772,990)

**12. INCOME TAX EXPENSE**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Tax expense in respect of current year:				
- Malaysian income tax	82,569,759	20,756,255	82,511,720	18,140,570
- Foreign income tax	16,700,461	3,135,186	1,155,924	-
	<u>99,270,220</u>	<u>23,891,441</u>	<u>83,667,644</u>	<u>18,140,570</u>
Under/(over) provision in respect of prior years:				
- Malaysian income tax	7,628	(10,090,963)	(58,739)	(9,968,003)
Deferred tax:				
- Relating to changes in tax rates	224,468	(127,175)	194,292	(118,000)
- Origination and reversal of temporary differences	(8,960,652)	378,894	(7,983,241)	217,000
- (over)/underprovision in prior year	(287,225)	321,897	-	-
	<u>90,254,439</u>	<u>14,374,094</u>	<u>75,819,956</u>	<u>8,271,567</u>

Malaysian current year income tax is calculated at statutory rate of 27% (2006: 28%) of estimated assessable profit for the year. Malaysian income tax rate will be reduced to 26% from the current year's 27% effective year of assessment 2008 and to 25% effective year of assessment 2009. For the years of assessment 2007 and 2006, chargeable income of certain subsidiary companies (being residents in Malaysia with paid-up capital of less than RM2.5 million) are taxed at the following rates:

On the first RM500,000 : 20% (2006: 20%)  
 In excess of RM500,000 : 27% (2006: 28%)

Foreign income tax of the Bank relates to tax on dividend income earned from a subsidiary company incorporated in Singapore.

Income tax rate applicable to the subsidiary companies in Hong Kong and Singapore are 17.5% (2006: not applicable as the Group did not have any Hong Kong subsidiary companies in that year) and 18% (2006: 20%), respectively.

**12. INCOME TAX EXPENSE (CONTD.)**

The reconciliation between the tax at statutory tax rate on the profit before taxation and the tax expense is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before taxation ("PBT")	<u>341,155,821</u>	<u>81,071,379</u>	<u>255,784,928</u>	<u>51,032,773</u>
Tax at Malaysian statutory tax rate of 27% (2006: 28%)	92,112,072	22,699,986	69,061,931	14,289,176
Effect of statutory tax rate of 20% on PBT	(63,084)	(58,421)	-	-
Effect of different tax rate in foreign jurisdictions	(7,530,434)	(1,883,770)	(577,963)	-
Effect of lower tax rate on opening balance of deferred tax and deferred tax arising from merger of futures and options business	29,099	(118,982)	(112,264)	(110,250)
Effect of income not subject to tax	(3,300,393)	(122,615)	(1,072,045)	(28,965)
Effect of expenses not deductible for tax purposes	8,986,884	5,148,165	8,272,480	4,097,359
Deferred tax recognised at different tax rate	306,556	(8,193)	306,556	(7,750)
Deferred tax assets not recognised in respect of current year's tax losses	450,794	129,060	-	-
Under/(over) provision of Malaysian income tax in prior years	7,628	(10,090,963)	(58,739)	(9,968,003)
(Over)/underprovision of deferred tax in prior year	(287,225)	321,897	-	-
Tax incentives	(296,035)	(1,557,931)	-	-
Utilisation of tax losses and capital allowances not recognised in prior year	(161,423)	(84,139)	-	-
	<u>90,254,439</u>	<u>14,374,094</u>	<u>75,819,956</u>	<u>8,271,567</u>
Tax savings during the financial year arising from:				
Utilisation of current year tax losses	-	33,247	-	-
Utilisation of previously unrecognised tax losses	-	50,892	-	-

**13. EARNINGS PER SHARE**

The earnings per share has been calculated by dividing the consolidated profit for the year attributable to equity holders of the Bank of RM215,275,194 (2006: RM55,613,353) over the weighted average number of ordinary shares in issue of 630,000,000 (2006: 605,890,411) during the financial year.

**14. DIVIDENDS**

	<b>Dividends in respect of year</b>		<b>Dividends recognised in year</b>	
	<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
<b>Recognised during the year:</b>				
<b>Interim dividend for the year ended 31 December 2007</b>				
9.2 sen per share less 27% income tax on 630,000,000 ordinary shares, paid on 5 September 2007	42,310,800	-	42,310,800	-
<b>Final dividend for the year ended 31 December 2006</b>				
5.0 sen per share less 27% taxation on 630,000,000 ordinary shares, paid on 9 April 2007	22,995,000	-	22,995,000	-
	<u>65,305,800</u>	<u>-</u>	<u>65,305,800</u>	<u>-</u>
<b>Interim dividend for the year ended 31 December 2006</b>				
1.9654 sen per share less 28% income tax on 530,000,000 ordinary shares, paid on 28 February 2006	-	7,500,000	-	7,500,000
3.5 sen per share less 28% income tax on 630,000,000 ordinary shares, paid on 15 August 2006	-	15,876,000	-	15,876,000
<b>Proposed for shareholder's approval (not recognised as at 31 December 2007)</b>				
	51,282,000	22,995,000	-	-
	<u>116,587,800</u>	<u>46,371,000</u>	<u>65,305,800</u>	<u>23,376,000</u>

**14. DIVIDENDS (CONTD.)**

At the forthcoming Annual General Meeting, a final dividend of 11 sen per share less 26% income tax on 630,000,000 ordinary shares in respect of the year ended 31 December 2007 will be proposed for shareholder's approval. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2008.

**15. CASH, BANK BALANCES AND DEPOSITS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>(a) General accounts</b>				
Cash and bank balances	120,897,111	26,712,307	46,844,904	1,174,073
Deposits at call with:				
- licensed banks	20,733,614	8,684,380	4,308,980	-
- licensed discount house	-	20,622,563	-	-
Fixed deposits with:				
- licensed banks	87,832,188	72,550,556	-	-
	<u>229,462,913</u>	<u>128,569,806</u>	<u>51,153,884</u>	<u>1,174,073</u>
<b>(b) Segregated accounts</b>				
Bank balances	162,668,583	130,429,507	38,342,614	43,904,693
Deposits at call with:				
- licensed banks	392,550,915	180,885,000	385,644,000	158,127,000
- licenced investment bank	20,000,000	-	20,000,000	-
- licensed discount house	-	164,000	-	-
Fixed deposits with:				
- licensed banks	40,265,275	17,000,972	-	-
	<u>615,484,773</u>	<u>328,479,479</u>	<u>443,986,614</u>	<u>202,031,693</u>
	<u>844,947,686</u>	<u>457,049,285</u>	<u>495,140,498</u>	<u>203,205,766</u>

Segregated accounts represent monies held in trust accounts and dividend accounts for clients and dealer's representatives. Trust accounts are maintained with licensed financial institutions in accordance with the rules of the relevant authorities.

**15. CASH, BANK BALANCES AND DEPOSITS (CONTD.)**

The effective interest rates of short term placements at the balance sheet date were as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
General accounts	2.79 to 3.35	2.85 to 3.35	3.35	-
Segregated accounts	3.32 to 3.36	2.40 to 3.53	3.36	3.30

The average maturities of short term placements and fixed deposits at the balance sheet date were as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Days</b>
General accounts	1 to 178	7	2	-
Segregated accounts	5 to 24	4	6	5

The carrying amounts of cash, bank balances and deposits are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia ("RM")	540,723,314	283,463,366	491,336,676	203,074,943
Singapore Dollar ("SGD")	205,605,110	106,492,053	461,219	130,823
Hong Kong Dollar ("HKD")	93,873,989	65,201,628	3,080,229	-
United States Dollar ("USD")	2,983,452	1,056,902	191,015	-
Euro	1,047,140	129,252	-	-
Australian Dollar ("AUD")	231,730	554,643	36,773	-
Sterling Pound	386,748	142,979	34,586	-
Thai Baht	16,742	8,462	-	-
Others	79,461	-	-	-
	<b>844,947,686</b>	<b>457,049,285</b>	<b>495,140,498</b>	<b>203,205,766</b>

**16. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Licensed banks	376,330,000	15,600,000
Licensed investment banks	100,000,000	-
	<u>476,330,000</u>	<u>15,600,000</u>

The lending to licensed banks bore weighted average effective interest rate of 3.50% (2006: 3.52%) per annum and were less than 4 (2006: 7) days to maturity from the balance sheet date.

The lending to licensed investment banks bore weighted average effective interest rate of between 3.52% per annum and were less than 25 days to maturity from the balance sheet date.

**17. SHORT TERM INVESTMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At cost:				
Marketable securities:				
- quoted in Malaysia	4,874,400	3,544,295	4,874,400	3,544,295
- quoted outside Malaysia	11,698,929	2,045,703	11,698,929	-
- Private debt securities in Malaysia, at adjusted cost*	824,537,071	400,083,758	824,537,071	400,083,758
	<u>841,110,400</u>	<u>405,673,756</u>	<u>841,110,400</u>	<u>403,628,053</u>
Less: Allowance for impairment in value:				
- marketable securities	-	(839,127)	-	(744,499)
- private debt securities	(4,086,354)	-	(4,086,354)	-
	<u>837,024,046</u>	<u>404,834,629</u>	<u>837,024,046</u>	<u>402,883,554</u>
Basket call warrants quoted in Malaysia	42,401	92,769	42,401	92,769
Money market instruments	479,770,564	309,536	479,770,564	309,536
	<u>1,316,837,011</u>	<u>405,236,934</u>	<u>1,316,837,011</u>	<u>403,285,859</u>

**17. SHORT TERM INVESTMENTS (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At market/indicative value:				
Marketable securities				
- quoted in Malaysia	6,247,822	2,799,796	6,247,822	2,799,796
- quoted outside				
Malaysia	11,339,552	1,951,075	11,339,552	-
Basket call warrants	43,684	92,769	43,684	92,769
Private debt securities				
in Malaysia	822,347,225	442,551,400	822,347,225	442,551,400
	<u>839,978,283</u>	<u>447,395,040</u>	<u>839,978,283</u>	<u>445,443,965</u>

\* Classification as short term investments is in accordance with the Group's investment holding strategy instead of in accordance with the maturity dates of the financial instruments.

Included in the money market instruments and private debt securities are the following securities sold under re-purchase agreements as disclosed in Note 33:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Private debt securities in Malaysia	<u>250,000</u>	<u>-</u>

The carrying amounts of short term investments are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RM	1,305,138,082	403,285,859	1,305,138,082	403,285,859
SGD	852,255	1,951,075	852,255	-
HKD	10,109,839	-	10,109,839	-
USD	736,835	-	736,835	-
	<u>1,316,837,011</u>	<u>405,236,934</u>	<u>1,316,837,011</u>	<u>403,285,859</u>

**18. FUND MANAGER'S STOCKS**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Unit trusts quoted in Malaysia, at cost	13,189,710	1,786,573
Less: Allowance for diminution in value	(376,522)	(9)
	<u>12,813,188</u>	<u>1,786,564</u>
At market value	<u>12,979,720</u>	<u>1,786,564</u>

**19. LOANS, ADVANCES AND FINANCING**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Revolving credits	10,934,347	-
Term loan	261,027,847	-
	<u>271,962,194</u>	<u>-</u>
Allowance for bad and doubtful debts - general	(4,079,433)	-
	<u>267,882,761</u>	<u>-</u>

The maturity structure of gross loans, advances and financing are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Maturity within one year	196,485,481	-
Maturity between one year to three years	75,476,713	-
	<u>271,962,194</u>	<u>-</u>

Gross loans, advances and financing analysed by type of customers are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Domestic business enterprises		
- Small and medium enterprises	7,525,109	-
- Others	264,437,085	-
	<u>271,962,194</u>	<u>-</u>

**19. LOANS, ADVANCES AND FINANCING (CONTD.)**

Gross loans, advances and financing analysed by interest rate sensitivity are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Fixed rate	121,943,700	-
Variable rate - Cost plus	150,018,494	-
	<u>271,962,194</u>	<u>-</u>

Gross loans, advances and financing analysed by economic purpose are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Working capital	86,411,060	-
Other purpose	185,551,134	-
	<u>271,962,194</u>	<u>-</u>

Gross loans, advances and financing analysed by sectors are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Manufacturing	3,409,239	-
Construction	35,532,641	-
Wholesale & retail trade and restaurants & hotels	75,476,712	-
Transport, storage and communication	150,018,493	-
Finance, insurance and business services	7,525,109	-
	<u>271,962,194</u>	<u>-</u>

Movement in the allowance for bad and doubtful debts and financing accounts are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
General allowance		
At beginning of year	-	-
Allowance made during the year	4,079,433	-
At end of year	<u>4,079,433</u>	<u>-</u>
As % of gross loan, advances and financing	<u>1.5%</u>	<u>-</u>

**19. LOANS, ADVANCES AND FINANCING (CONTD.)**

Treatment for general allowance for bad and doubtful debts has been made in accordance with the minimum requirements of BNM's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3").

**20. DERIVATIVE FINANCIAL ASSETS**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At cost:		
Unquoted derivatives over equities quoted in:		
- Malaysia	2,967,800	-
- United States of America	11,354,072	-
- Singapore	1,974,687	-
- Hong Kong	123,192,653	-
	139,489,212	-
At indicative value:		
Unquoted derivatives over equities quoted in:		
- Malaysia	490,220	-
- United States of America	12,066,425	-
- Singapore	498,375	-
- Hong Kong	121,374,556	-
	134,429,576	-

The shortfall of indicative value over carrying amount of derivative financial assets of RM5,059,636 (2006: nil) was not provided in the financial statements due to a corresponding surplus of RM1,014,045 (2006: nil) arising on marketable securities (Note 17) and a corresponding surplus of RM45,942,943 (2006: nil) arising on structured warrant liabilities (Note 34), aggregating RM46,956,988 (2006: nil) that were not recognised in the financial statements in accordance with the Group's present accounting policies.

The carrying amounts of derivative financial assets are denominated in the following currencies:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
RM	2,967,800	-
USD	11,354,072	-
SGD	1,974,687	-
HKD	123,192,653	-
	139,489,212	-

**20. DERIVATIVE FINANCIAL ASSETS (CONTD.)**

Unquoted derivative financial assets represent over-the-counter call options to purchase equity securities quoted on Bursa Securities, New York Stock Exchange, Singapore Stock Exchange and the Stock Exchange of Hong Kong and have a remaining period to maturity of less than one year.

**21. TRADE RECEIVABLES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount owing by				
- clients	3,248,856,484	742,555,448	686,445,845	438,129,336
- brokers	228,126,624	787,401,230	97,791,774	64,809,047
Segregated funds maintained for clients due to open position of derivative contracts	31,276,429	21,697,118	31,276,429	-
	<u>3,508,259,537</u>	<u>1,551,653,796</u>	<u>815,514,048</u>	<u>502,938,383</u>
Less:				
Interest-in-suspense (Note b)	(3,216,761)	(2,759,165)	(3,216,761)	(2,759,165)
Specific allowance for bad and doubtful debts (Note c)	(15,297,653)	(12,171,386)	(11,412,108)	(9,479,366)
General allowance for bad and doubtful debts (Note d)	(35,103)	(171,781)	(35,103)	(171,781)
	<u>3,489,710,020</u>	<u>1,536,551,464</u>	<u>800,850,076</u>	<u>490,528,071</u>
Amount owing by				
- foreign derivatives clearing house	2,729,841	-	-	-
- foreign securities clearing house and stock exchange	18,346,194	-	-	-
Unsegregated funds	117,036	94,644	117,036	-
Due from unit trust funds	15,416,080	16,240,863	-	-
	<u>3,526,319,171</u>	<u>1,552,886,971</u>	<u>800,967,112</u>	<u>490,528,071</u>

The trade credit term for securities trading of the Bank is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities and 3 market days for the Singapore subsidiary company and 2 market days for the Hong Kong subsidiary company. The trade credit term for the margin clients of Malaysian stockbroking business shall be for a maximum term of 3 months, subject to review for rollover.

**21. TRADE RECEIVABLES (CONTD.)**

The trade credit term for the trading of fixed income instruments generally ranges from the same trading day to 2 market days.

The normal trade credit term for unit trust funds is 10 (2006: 10) days.

The accounting policies and methods adopted in accounting for non-performing accounts of Malaysian stockbroking business are in accordance with Rule 1104 of Bursa Securities.

Treatment of interest-in-suspense and allowance for bad and doubtful debts of the Malaysian stockbroking business have been made in accordance with the requirements of the Rule of Bursa Securities.

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

Segregated funds maintained for clients due to open positions and unsegregated funds of the Group earned interest of 2.65% (2006: 1.47%) per annum from Bursa Malaysia Derivatives Clearing Berhad.

(a) Classification of non-performing accounts ("NPA") of Malaysian stockbroking business are in accordance with the Rules of Bursa Securities:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Outstanding amount of NPA classified as:		
- doubtful	477,699	1,140,742
- bad	11,221,184	21,619,676
	<u>11,698,883</u>	<u>22,760,418</u>

(b) Movement of interest-in-suspense are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	2,759,165	2,846,644
Addition	1,631,217	1,283,375
Reversal	(936,643)	(1,252,647)
Write off	(236,978)	(118,207)
At end of year	<u>3,216,761</u>	<u>2,759,165</u>

**21. TRADE RECEIVABLES (CONTD.)**

(c) Movement of specific allowance for bad and doubtful debts are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of year	12,171,386	12,432,692	9,479,366	12,432,692
Acquisition of subsidiary companies	-	2,495,683	-	-
Merger of futures and options business	-	-	989,361	-
Addition	17,384,409	7,390,261	14,830,405	6,934,819
Reversal	(13,732,200)	(9,721,140)	(13,732,200)	(9,721,140)
Write off	(437,210)	(452,502)	(154,824)	(167,005)
Exchange difference	(88,732)	26,392	-	-
At end of year	<u>15,297,653</u>	<u>12,171,386</u>	<u>11,412,108</u>	<u>9,479,366</u>

The Bank has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Para 24 of the Rules of Bursa Securities in respect of amounts written off exceeding RM500,000.

(d) Movement of general allowance for bad and doubtful debts are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	171,781	146,324
Addition	-	25,457
Reversal	(136,678)	-
At end of year	<u>35,103</u>	<u>171,781</u>

The carrying amounts of the trade receivables of the Group are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RM	823,128,644	530,641,323	800,770,748	490,528,071
SGD	235,098,030	911,570,926	-	-
HKD	2,453,599,885	93,500,687	-	-
USD	14,492,612	17,174,035	196,364	-
	<u>3,526,319,171</u>	<u>1,552,886,971</u>	<u>800,967,112</u>	<u>490,528,071</u>

**22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other receivables	4,847,690	3,074,434	1,427,139	1,217,655
Less: Allowance for doubtful debts	(415,287)	-	-	-
	<u>4,432,403</u>	<u>3,074,434</u>	<u>1,427,139</u>	<u>1,217,655</u>
Interest receivables	13,834,945	4,658,854	13,810,276	4,619,964
Other deposits	7,241,080	5,961,740	3,778,953	3,712,077
Prepayments	3,174,443	1,867,598	2,064,713	688,148
	<u>28,682,871</u>	<u>15,562,626</u>	<u>21,081,081</u>	<u>10,237,844</u>

Included in other deposits of the Group and the Bank are rental and utility deposits paid to related companies amounting to RM1,776,866 (2006: RM1,996,995) and RM1,636,815 (2006: RM1,779,936) respectively.

**23. SECURITY DEPOSIT AND STATUTORY FUNDS**

	<b>Note</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Statutory deposit with foreign derivatives clearing house	(a)	678,152	1,543,905	-	-
Guarantee fund, deposit and refundable admission fee paid to foreign securities clearing house and stock exchange	(a)	381,461	258,944	-	-
Security deposits and clearing funds with Malaysian securities and derivatives clearing house	(b)	1,509,989	1,509,989	1,509,989	10,000
Registration deposit of a trust company	(c)	100,000	100,000	-	-
		<u>2,669,602</u>	<u>3,412,838</u>	<u>1,509,989</u>	<u>10,000</u>

**23. SECURITY DEPOSIT AND STATUTORY FUNDS (CONTD.)**

The carrying amounts of security deposits and statutory funds are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RM	1,609,989	1,609,989	1,509,989	10,000
HKD	1,059,613	1,802,849	-	-
	<u>2,669,602</u>	<u>3,412,838</u>	<u>1,509,989</u>	<u>10,000</u>

Note (a)

This represents security deposit and fund contributions paid by the Bank's foreign stockbroking, futures and corporate finance subsidiary companies to the Hong Kong securities and derivatives clearing house and securities exchange.

Note (b)

This represents security deposits and fund contributions paid by the Bank and its local subsidiary company to Bursa Malaysia Securities Clearing Sdn. Bhd. and Bursa Malaysia Derivatives Clearing Berhad.

The deposits and clearing funds bear interest rates ranging from 1.27% to 2.94% (2006: 1.42% to 1.47%) per annum for the Group and 2.28% to 2.94% (2006: Nil) per annum for the Bank.

Note (c)

This represents deposit paid by a subsidiary company, OSK Trustees Berhad, to the Accountant General of Malaysia as security deposit required under Section (3) of the Trust Companies Act, 1949 upon registration as a trust company.

The deposit bears an interest rate of 3.60% (2006 : 3.80%) per annum.

**24. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts are determined as a percentage of total eligible liabilities.

**25. OTHER LONG TERM INVESTMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At cost:				
Unquoted shares:				
- In Malaysia	490,000	490,000	490,000	490,000
- Outside Malaysia	2,338,157	2,347,332	-	-
Unquoted 10% non-cumulative preference shares in Bursa Derivatives	2,200,000	2,200,000	2,200,000	-
Transferable golf club memberships	228,200	228,200	228,200	228,200
	<u>5,256,357</u>	<u>5,265,532</u>	<u>2,918,200</u>	<u>718,200</u>

The carrying amounts of other long term investments are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RM	2,918,200	2,918,200	2,918,200	718,200
SGD	2,338,157	2,347,332	-	-
	<u>5,256,357</u>	<u>5,265,532</u>	<u>2,918,200</u>	<u>718,200</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES**

	<b>Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>(a) Investments in subsidiary companies</b>		
At cost:		
Unquoted shares in Malaysia	21,913,035	19,590,045
Unquoted shares outside Malaysia	185,061,179	163,171,179
	<u>206,974,214</u>	<u>182,761,224</u>
Less: impairment loss	(682,062)	-
	<u>206,292,152</u>	<u>182,761,224</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

	<b>Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>(a) Investments in subsidiary companies (Contd.)</b>		
<b>Unquoted shares in Malaysia:</b>		
Beginning of year	19,590,045	8,702,871
Additional investments in existing subsidiary companies		
- Note 26 (i)	1,720,000	-
- Note 26 (ii)	440,000	-
- Note 26 (xi)	-	10,827,174
- Note 26 (xii)	-	60,000
Acquisition of new subsidiary companies		
- Note 26 (iv)	162,990	-
End of year	<u>21,913,035</u>	<u>19,590,045</u>
<b>Unquoted shares outside Malaysia:</b>		
Beginning of year	163,171,179	-
Additional investments in existing subsidiary companies		
- Note 26 (v)	21,890,000	-
- Note 26 (x)	-	29,171,000
Acquisition of new subsidiary companies		
- Note 26 (ix)	-	117,597,329
- Note 26 (x)	-	23,404,130
- Less: dividend declared out of pre-acquisition profit	-	(7,001,280)
End of year	<u>185,061,179</u>	<u>163,171,179</u>
Less: impairment loss	<u>(682,062)</u>	<u>-</u>
	<u>206,292,152</u>	<u>182,761,224</u>

**Additional investment in the current financial year:**

- (i) On 29 March 2007, 29 October 2007 and 28 December 2007, the Bank subscribed for additional new ordinary shares of RM1 per share in the following subsidiary companies, for a total cash consideration of RM1,720,000:

	<b>RM</b>
OSK Nominees (Tempatan) Sdn. Berhad	440,000
TCL Nominees (Tempatan) Sdn. Bhd.	640,000
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	640,000
	<u>1,720,000</u>

- (ii) On 29 March 2007 and 31 December 2007, the Bank subscribed for 48,000 and 40,000 Rights Shares of RM10 per share partly paid up to RM5 per share in OSK Trustees Berhad for a total consideration of RM440,000. Upon subscriptions of the Rights Shares, the Bank increased its investment in OSKT to 180,000 ordinary shares of RM10 per share partly paid up to RM5 each.

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

- (iii) On 14 May 2007, OUTM, a 70% owned-subsiary company, entered into a Sale and Purchase Agreement ("SPA") with the holding company of the Bank, OSK Holdings Berhad, to acquire 1,450,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of OSK Wealth Planners Sdn. Bhd. ("OSKWP"), [Note 47(d)], for a total consideration of RM1.00.

The acquisition was completed on 20 August 2007.

The acquisition of OSKWP had the following effect on the Group's financial results for the current period:

	<b>Date of acquisition to 31.12.2007 RM</b>
Revenue	341,174
Profit before tax	267,935
Profit for the period attributable to shareholders of the Bank	<u>180,151</u>

If the acquisitions had been effected on 1 January 2007, the financial results contributed by OSKWP for the year ended 31 December 2007 would have been:

	<b>1.1.2007 to 31.12.2007 RM</b>
Revenue	356,174
Profit before tax	5,562
Profit for the period attributable to shareholders of the Bank	<u>(3,511)</u>

The fair values of the assets acquired and liabilities assumed from these acquisitions were as follows:

	<b>As at date of acquisition RM</b>
Plant and equipment	12,882
Trade and other receivables	800
Cash and bank balances - general account	1,450
Other payables and accruals	<u>(355,455)</u>
Group's share of net liabilities	(340,323)
Add: Goodwill on consolidation	<u>340,324</u>
Purchase consideration	<u>1</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)****As at date of acquisition  
RM**

Cash outflow arising from these acquisitions:	
Purchase consideration satisfied by cash	1
Costs attributable to the acquisitions, paid in cash	-
	<u>1</u>
Cash and cash equivalent of subsidiary company acquired	(1,450)
Net cash inflow of the Group	<u>(1,449)</u>

- (iv) On 2 November 2007, the holding company, the Bank and its subsidiary companies acquired the entire issued and paid-up share capital of UOB Trustees (Malaysia) Berhad ("UOBT"), a company incorporated in Malaysia, for a total cash consideration of RM800,000 [Note 47(g)], of which RM160,000 is the direct investment by the Bank and RM640,000 is the total investment by the Group.

The acquisition of UOBT had the following effect on the Group's financial results for the current period:

**Date of acquisition to  
31.12.2007  
RM**

Revenue	195,225
Loss before tax	(58,451)
Loss for the period attributable to shareholders of the Bank	<u>(46,761)</u>

If the acquisitions had been effected on 1 January 2007, the financial results contributed by UOBT for the year ended 31 December 2007 would have been:

**1.1.2007  
to  
31.12.2007  
RM**

Revenue	4,541,517
Profit before tax	2,379,073
Profit for the period attributable to shareholders of the Bank	<u>1,903,259</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

The fair values of the assets acquired and liabilities assumed from these acquisitions were as follows:

	<b>As at date of acquisition</b>
	<b>RM</b>
Trade and other receivables	83,160
Cash and bank balances - general account	534,520
Other payables and accruals	<u>(67,680)</u>
Fair value of total net assets	550,000
Less: Minority interest	<u>(110,000)</u>
Group's share of net assets	440,000
Add: Goodwill on consolidation	<u>211,959</u>
Purchase consideration	<u><u>651,959</u></u>
	<b>RM</b>
Cash outflow arising from these acquisitions:	
Purchase consideration satisfied by cash	640,000
Costs attributable to the acquisitions, paid in cash	<u>11,959</u>
	651,959
Cash and cash equivalent of subsidiary company acquired	<u>(534,520)</u>
Net cash outflow of the Group	<u><u>117,439</u></u>

- (v) On 30 April 2007, the Bank completed the subscription of 50,000,000 new ordinary shares of HKD1.00 each in OSK Asia Holdings Limited ("OSKAH"), a company incorporated in Hong Kong, for a total cash consideration of HKD50,000,000 or RM21,890,000 equivalent. Pursuant to the subscription, the Bank's equity interest in OSKAH increased from 87.50% to 91.01%.

This subscription of shares had the following effect:

	<b>Group</b>
	<b>2007</b>
	<b>RM</b>
Net assets acquired from minority interests	22,036,244
Less: Reserve on consolidation recognised in equity	<u>(146,244)</u>
Cashflow on acquisition	<u><u>21,890,000</u></u>

- (vi) On 21 March 2007, OSKAH acquired the entire issued and paid-up share capital of Sunway Finance Limited (now known as OSK Asia Finance Limited) ("OSKAFin"), a company incorporated in Hong Kong, for a cash consideration of HKD1.00.

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

(vii) On 2 April 2007, OSKAH acquired the entire issued and paid-up share capital of Ernst & Young Corporate Finance Limited (now known as OSK Asia Capital Limited) ("OSKAC"), a company incorporated in Hong Kong, for a cash consideration of HKD15,565,731 or RM6,786,709 equivalent.

(viii) On 14 December 2007, OSKAH acquired the entire issued and paid-up share capital of Fine Silver Investment Limited (now known as OSK Asia Precious Metals Limited) ("OSKAPM"), a company incorporated in Hong Kong, for a cash consideration of HKD1.

The acquisitions of OSKAFin, OSKAC and OSKAPM had the following effect on the Group's financial results for the current period:

	<b>Date of acquisitions to 31.12.2007 RM</b>
Revenue	2,721,512
Profit before tax	232,384
Profit for the period	<u>191,965</u>

If the acquisitions had been effected on 1 January 2007, the financial results contributed by OSKAFin, OSKAC and OSKAPM for the year ended 31 December 2007 would have been:

	<b>1.1.2007 to 31.12.2007 RM</b>
Revenue	4,948,432
Profit before tax	1,038,599
Profit for the period	<u>910,854</u>

The fair values of the assets acquired and liabilities assumed from these acquisitions were as follows:

	<b>As at date of acquisitions RM</b>
Security deposits	43,600
Trade and other receivables	1,413,545
Cash and bank balances - general account	5,401,232
Other payables and accruals	(2,272)
Tax payable	<u>(73,613)</u>
Group's share of net assets	6,782,492
Add: Goodwill on consolidation	<u>75,352</u>
Purchase consideration	<u><u>6,857,844</u></u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

	<b>As at date of acquisitions</b>
	<b>RM</b>
Cash outflow arising from these acquisitions:	
Purchase consideration satisfied by cash	6,786,709
Costs attributable to the acquisitions, paid in cash	71,135
	<u>6,857,844</u>
Cash and cash equivalent of subsidiary companies acquired	<u>(5,401,232)</u>
Net cash outflow of the Group	<u>1,456,612</u>

**Acquisitions completed in the previous financial year:**

- (ix) On 31 March 2006, the Bank completed the acquisition of 51% equity interest in DMG & Partners Pte Ltd ("DMG"), a company incorporated in Singapore, which comprised 15,300,000 ordinary shares of SGD1 each for a total cash consideration of SGD51,627,592 or RM117,597,329 equivalent.
- (x) On 28 August 2006, the Bank completed the acquisition of 50,000,000 ordinary shares of HKD1 each, representing 75.76% equity interest in OSK Asia Holdings Limited ("OSKAH"), a company incorporated in Hong Kong which was a subsidiary of the holding company, for a consideration of RM23,404,130. The consideration was settled through offsetting the amount due from holding company.

The Company further subscribed 62,000,000 ordinary shares of HKD1 each issued by OSKAH for a cash consideration equivalent to RM29,171,000.

- (xi) On 22 September 2006, the Bank completed the acquisition of 10,000,000 ordinary shares of RM1 each, representing 100% equity interest in OSK Futures And Options Sdn. Bhd., which was a subsidiary of the holding company, for a consideration of RM10,827,174. The consideration was settled through offsetting the amount due from holding company.

The acquisitions had the following effect on the Group's financial results for the financial year ended 31 December 2006:

	<b>Date of acquisitions to</b>
	<b>31.12.2006</b>
	<b>RM</b>
Revenue	89,780,510
Profit before tax	24,422,603
Profit for the year	<u>20,539,709</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

If the acquisitions had been effected on 1 January 2006, the financial results contributed by these subsidiary companies for the financial year ended 31 December 2006 would have been:

	<b>1.1.2006 to 31.12.2006 RM</b>
Revenue	136,338,144
Profit before tax	33,784,805
Profit for the year	<u>27,924,957</u>

The fair values of assets and liabilities recognised upon acquisition on the date of completion were as follows:

	<b>As at date of acquisitions RM</b>
Plant and equipment	5,966,014
Other investments	4,446,945
Security deposit	3,103,068
Intangible assets	402,543
Deferred tax assets	438,121
Trade and other receivables	1,158,091,113
Cash and bank balances	186,578,827
Trade and other payables	(1,099,696,486)
Short term borrowings	(34,208,167)
Tax payable	(7,239,138)
Deferred tax liabilities	<u>(373,385)</u>
Fair value of total net assets	217,509,455
Minority interest	<u>(93,952,675)</u>
Group's share of net assets	123,556,780
Add: Goodwill on consolidation	<u>28,271,853</u>
Purchase consideration	151,828,633
Less : Purchase consideration satisfied by offsetting amount due from holding company	<u>(34,231,304)</u>
	<u>117,597,329</u>

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)****RM**

Cash outflow arising from the acquisitions:	
Purchase consideration satisfied by cash	117,597,329
Cash and cash equivalent of subsidiary companies acquired	<u>(91,023,955)</u>
Net cash outflow of the Group	<u>26,573,374</u>

(xii) During the previous financial year, the Bank subscribed for 12,000 Rights Shares of RM10 per share partly paid up to RM5 per share in OSK Trustees Berhad for a total consideration of RM60,000. Upon subscriptions of the Rights Shares, the Bank increased its investment in OSKT to 92,000 ordinary shares of RM10 per share partly paid up to RM5 each.

(xiii) The subsidiary companies of the Group that have the same financial year end as the Bank on 31 December annually are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of Ownership Interest	
			2007 %	2006 %
<b>Held by the Bank:</b>				
OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00 (Note 26(i))	100.00
OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00
TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00 (Note 26(i))	100.00
TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

Name of company	Country of incorporation	Principal activities	Proportion of of Ownership Interest	
			2007 %	2006 %
<b>Held by the Bank (Contd):</b>				
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00 (Note 26(i))	100.00
KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00
OSK Research Sdn. Bhd.	Malaysia	Investment research services	100.00	100.00
OSK-UOB Unit Trust Management Berhad	Malaysia	Management of unit trust funds	70.00	70.00
OSK Futures And Options Sdn. Bhd.	Malaysia	Dormant	100.00	100.00
DMG & Partners Securities Pte Lte *	Singapore	Provision of stock and share broking services and corporate finance advisory services	51.00	51.00 (Note 26(ix))
OSK Asia Holdings Limited *	Hong Kong	Investment holding	91.01 (Note 26(v))	87.50 (Note 26(xi))
<b>Held by the Bank and through subsidiary companies:</b>				
OSK Trustee Berhad	Malaysia	Professional wills and trustee services	80.00 (Note 26(ii))	80.00 (Note 26(xii))
The shareholding in OSK Trustees Berhad is held by:-				
(i) OSK Investment Bank Berhad			20.00	20.00
(ii) OSK Nominees (Tempatan) Sdn. Berhad			20.00	20.00
(iii) TCL Nominees (Tempatan) Sdn. Bhd.			20.00	20.00
(iv) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			20.00	20.00
			<u>80.00</u>	<u>80.00</u>
UOB Trustees (Malaysia) Berhad	Malaysia	Business of trustee agent, executor and administrator	80.00 Note 47(e)	-

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

Name of company	Country of incorporation	Principal activities	Proportion of of Ownership Interest	
			2007 %	2006 %
The shareholding in UOB Trustees (Malaysia) Berhad is held by:-				
(i) OSK Investment Bank Berhad			20.00	20.00
(ii) OSK Nominees (Tempatan) Sdn. Berhad			20.00	20.00
(iii) TCL Nominees (Tempatan) Sdn. Bhd.			20.00	20.00
(iv) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			20.00	20.00
			80.00	80.00
<b>Subsidiary company of OSK-UOB Unit Trust Management Berhad</b>				
OSK Wealth Planners Sdn. Bhd.	Malaysia	Provision of financial planning and related services (Note 47(d))	70.00	-
<b>Subsidiary companies of DMG &amp; Partners Securities Pte Ltd</b>				
DMG & Partners Nominees Pte Ltd *	Singapore	Nominee services	100.00	51.00
Summit Nominees Pte Ltd *	Singapore	Nominee services	100.00	51.00
<b>Subsidiary companies of OSK Asia Holdings Limited</b>				
OSK Asia Futures Limited *	Hong Kong	Futures and options broking and related services	100.00	87.50
OSK Asia Securities Limited *	Hong Kong	Stockbroking and related services	100.00	87.50
OSK Asia Nominees Ltd *+	Hong Kong	To act as attorneys, nominees, agents, trustees and engage in the related activities for beneficial shareholders	100.00	87.50
OSK Asia Finance Limited (formerly known as Sunway Finance Limited) *+	Hong Kong	Dormant	100.00 (Note 26(vi))	-
OSK Asia Capital Limited (formerly known as Ernst & Young Corporate Finance Limited) *	Hong Kong	Provision of corporate finance advisory services	100.00 (Note 26(vii))	-
OSK Precious Metals Limited (formerly known as Fine Silver Investment Limited)	Hong Kong	Bullion and precious metal trading	100 (Note 26(viii))	-

**26. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTD.)**

- \* Audited by firms of Public Accountants other than Messrs. Ernst & Young.  
 + These subsidiary companies have not commenced operations as at 31 December 2007.

**(b) Amounts due from/(to) subsidiary companies**

The amounts due from/(to) subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

**27. INVESTMENTS IN ASSOCIATED COMPANIES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Investments in associated companies</b>				
At cost:				
Unquoted shares in				
Malaysia	9,930,974	5,027,750	9,930,974	5,027,750
Share of post-acquisition results	3,164,117	1,910,081	-	-
Less: Impairment loss	(2,649,562)	(2,649,562)	-	(739,481)
	<u>10,445,529</u>	<u>4,288,269</u>	<u>9,930,974</u>	<u>4,288,269</u>

The assets and liabilities of the associated companies are as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Assets and liabilities</b>		
Current assets	25,600,049	10,285,133
Non-current assets	571,764	828,827
Total assets	<u>26,171,813</u>	<u>11,113,960</u>
Current liabilities	529,926	245,600
Non-current liabilities	-	160,779
Total liabilities	<u>529,926</u>	<u>406,379</u>

**27. INVESTMENTS IN ASSOCIATED COMPANIES (CONTD.)**

The results of the associated companies are as follows:

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Results</b>		
Revenue	6,767,698	5,014,702
Profit/(loss) for the year	<u>3,566,502</u>	<u>(992,033)</u>

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

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Goodwill on acquisition:		
Costs	2,649,562	2,649,562
Less: Impairment loss	<u>(2,649,562)</u>	<u>(2,649,562)</u>
Carrying amount	<u>-</u>	<u>-</u>

The associated companies, which are incorporated in Malaysia, are as follows:

<b>Name of company</b>	<b>Principal activities</b>	<b>Proportion of Ownership and Voting Power</b>	
		<b>2007</b>	<b>2006</b>
		<b>%</b>	<b>%</b>
<b>Held by the Bank</b>			
Finexasia.com Sdn. Bhd.	Development of financial services portal and related activities	40	40
iFast-OSK Sdn. Bhd.	Investment holding	49	-
<b>Subsidiary company of Finexasia.com Sdn. Bhd.:</b>			
Stock188.com Sdn. Bhd.	Temporarily ceased operations	100	40
<b>Subsidiary company of iFast-OSK Sdn. Bhd.:</b>			
iFast Capital Sdn. Bhd.	Dormant	<u>100</u>	<u>-</u>

**28. PLANT AND EQUIPMENT**

<b>GROUP</b>	<b>As at 1.1.2007 RM</b>	<b>Additions RM</b>	<b>Acquisition of subsidiary companies RM</b>	<b>Disposals RM</b>	<b>Written off RM</b>	<b>Foreign exchange difference RM</b>	<b>As at 31.12.2007 RM</b>
<b>At cost</b>							
Furniture and fittings	15,092,348	1,602,524	5,450	(5,160)	(1,094,848)	(20,171)	15,580,143
Renovation	29,701,481	3,035,301	6,678	(25,461)	(604,373)	(104,695)	32,008,931
Motor vehicles	8,951,289	729,901	-	(1,293,055)	-	(4,215)	8,383,920
Office equipment	69,505,126	7,229,665	228,035	(438,778)	(9,080,166)	(143,543)	67,300,339
	<u>123,250,244</u>	<u>12,597,391</u>	<u>240,163</u>	<u>(1,762,454)</u>	<u>(10,779,387)</u>	<u>(272,624)</u>	<u>123,273,333</u>
	<b>As at 1.1.2007 RM</b>	<b>Charge for the year RM</b>	<b>Acquisition of subsidiary companies RM</b>	<b>Disposals RM</b>	<b>Written off RM</b>	<b>Foreign exchange difference RM</b>	<b>As at 31.12.2007 RM</b>
<b>Accumulated depreciation</b>							
Furniture and fittings	9,409,103	1,154,682	636	(2,795)	(715,195)	(11,262)	9,835,169
Renovation	18,532,001	2,376,990	457	(21,423)	(324,358)	(41,795)	20,521,872
Motor vehicles	4,916,258	1,113,531	-	(847,199)	-	(1,482)	5,181,108
Office equipment	50,005,948	6,813,650	226,188	(284,859)	(9,056,151)	(52,818)	47,651,958
	<u>82,863,310</u>	<u>11,458,853</u>	<u>227,281</u>	<u>(1,156,276)</u>	<u>(10,095,704)</u>	<u>(107,357)</u>	<u>83,190,107</u>

**28. PLANT AND EQUIPMENT (CONTD.)****GROUP**

	<b>Net book value</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Furniture and fittings	5,744,974	5,683,245
Renovation	11,487,059	11,169,480
Motor vehicles	3,202,812	4,035,031
Office equipment	19,648,381	19,499,178
	<u>40,083,226</u>	<u>40,386,934</u>

	<b>Details as at 1.1.2006</b>		<b>Depreciation</b>
	<b>Accumulated</b>		<b>charge for</b>
	<b>Cost</b>	<b>depreciation</b>	<b>the year</b>
	<b>RM</b>	<b>RM</b>	<b>31.12.2006</b>
			<b>RM</b>
Furniture and fittings	12,981,249	7,170,649	1,134,042
Renovation	19,675,096	8,874,148	2,146,038
Motor vehicles	7,595,325	4,221,404	1,143,060
Office equipment	52,067,837	37,501,197	5,759,416
	<u>92,319,507</u>	<u>57,767,398</u>	<u>10,182,556</u>

**28. PLANT AND EQUIPMENT (CONTD.)****BANK**

	As at 1.1.2007 RM	Additions RM	Merger of futures and options business RM	Disposals RM	Written off RM	As at 31.12.2007 RM
<b>At cost</b>						
Furniture and fittings	12,726,595	1,340,455	111,567	(5,160)	(1,094,848)	13,078,609
Renovation	19,121,911	1,694,252	212,156	-	(604,373)	20,423,946
Motor vehicles	7,216,452	56,320	163,679	(901,854)	-	6,534,597
Office equipment	51,985,144	4,395,609	1,791,229	(132,053)	(9,080,166)	48,959,763
	<u>91,050,102</u>	<u>7,486,636</u>	<u>2,278,631</u>	<u>(1,039,067)</u>	<u>(10,779,387)</u>	<u>88,996,915</u>

	As at 1.1.2007 RM	Charge for the year RM	Merger of futures and options business RM	Disposals RM	Written off RM	As at 31.12.2007 RM
<b>Accumulated depreciation</b>						
Furniture and fittings	7,625,763	1,025,964	62,003	(2,795)	(715,195)	7,995,740
Renovation	10,170,773	1,907,080	81,975	-	(324,358)	11,835,470
Motor vehicles	4,211,750	769,140	63,425	(700,002)	-	4,344,313
Office equipment	39,219,720	4,213,880	1,066,472	(119,479)	(9,056,151)	35,324,442
	<u>61,228,006</u>	<u>7,916,064</u>	<u>1,273,875</u>	<u>(822,276)</u>	<u>(10,095,704)</u>	<u>59,499,965</u>

**28. PLANT AND EQUIPMENT (CONTD.)****BANK**

	<b>Net book value</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Furniture and fittings	5,082,869	5,100,832
Renovation	8,588,476	8,951,138
Motor vehicles	2,190,284	3,004,702
Office equipment	13,635,321	12,765,424
	<u>29,496,950</u>	<u>29,822,096</u>

	<b>Details as at 1.1.2006</b>		<b>Depreciation</b>
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>charge for the year 31.12.2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Furniture and fittings	12,191,876	6,666,825	1,035,605
Renovation	19,251,830	8,706,897	1,903,952
Motor vehicles	6,901,170	3,898,498	896,207
Office equipment	49,953,961	36,143,961	4,494,283
	<u>88,298,837</u>	<u>55,416,181</u>	<u>8,330,047</u>

Net carrying amount of plant and equipment held under finance lease arrangement of the Group was RM733,404 (2006: RM2,028,670).

**29. INTANGIBLE ASSETS**

	Note	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
Goodwill on consolidation	(a)	29,139,605	28,674,283	-	-
Purchased goodwill	(b)	46,516,468	46,516,468	46,516,468	46,516,468
Merchant bank licence	(c)	52,500,000	52,500,000	52,500,000	52,500,000
Trading rights	(d)	408,346	437,676	-	-
Software licence	(e)	274,178	-	274,178	-
		<u>128,838,597</u>	<u>128,128,427</u>	<u>99,290,646</u>	<u>99,016,468</u>

		Group	
		2007 RM	2006 RM
<b>Note (a) Goodwill on consolidation</b>			
<b>At cost:</b>			
At beginning of year		28,674,283	116,673
Acquisition of subsidiary companies		615,676	28,271,853
Additional stake in existing subsidiary companies		11,959	-
Impairment loss during the year		(8,357)	-
Exchange difference		(153,956)	296,034
Set off in accordance with FRS 138		-	(10,277)
At end of year		<u>29,139,605</u>	<u>28,674,283</u>
<b>Accumulated amortisation and impairment:</b>			
At beginning of year		-	(10,277)
Set off in accordance with FRS 138		-	10,277
At end of year		<u>-</u>	<u>-</u>
Net carrying value		<u>29,139,605</u>	<u>28,674,283</u>

		Group and Bank	
		2007 RM	2006 RM
<b>Note (b) Purchased goodwill</b>			
<b>At cost:</b>			
At beginning of year		46,516,468	59,892,449
Set off in accordance with FRS 138		-	(13,375,981)
At end of year		<u>46,516,468</u>	<u>46,516,468</u>

**29. INTANGIBLE ASSETS (CONTD.)**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Note (b) Purchased goodwill (Contd.)</b>		
<b>Accumulated amortisation:</b>		
At beginning of year	-	(13,375,981)
Set off in accordance with FRS 138	-	13,375,981
At end of year	<u>-</u>	<u>-</u>
Net carrying value	<u>46,516,468</u>	<u>46,516,468</u>

The purchased goodwill represents the excess of cash consideration paid by the Bank over the fair value of the attributable net assets of the stockbroking business of Premier Capital Securities Sdn. Bhd. The acquisition was completed on 19 June 2000.

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Note (c) Merchant bank licence</b>		
<b>At cost:</b>		
At beginning of year	52,500,000	-
Addition during the year	-	52,500,000
At end of year	<u>52,500,000</u>	<u>52,500,000</u>

This represents contribution to Bank Negara Malaysia ("BNM") for a merchant bank licence to transform the Bank from an Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised.

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Note (d) Trading rights</b>		
<b>At cost:</b>		
At beginning of year	521,946	-
Acquisition of subsidiary companies	-	402,050
Additions during the year	-	135,151
Exchange difference	(19,531)	(15,255)
At end of year	<u>502,415</u>	<u>521,946</u>

**29. INTANGIBLE ASSETS (CONTD.)**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Note (d) Trading rights (Contd.)</b>		
<b>Accumulated amortisation and impairment</b>		
At beginning of year	(84,270)	-
Impairment charge recognised in income statement	-	(87,325)
Exchange difference	(9,799)	3,055
At end of year	<u>(94,069)</u>	<u>(84,270)</u>
<b>Net carrying amount</b>	<u>408,346</u>	<u>437,676</u>

These represent transfer price paid for the acquisition of the trading rights in the Hong Kong Stock Exchange and the Hong Kong Futures Exchange by subsidiary companies in Hong Kong. Trading rights are considered to have indefinite useful lives, which are not amortised.

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Note (e) Software licence</b>		
At cost	297,167	-
Accumulated amortisation/impairment	(22,989)	-
Net book value	<u>274,178</u>	<u>-</u>

**30. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES**

Goodwill acquired through business combinations has been allocated to three material cash-generating units ("CGU"), for impairment testing as follows:

- **Universal broker ("UB") CGU**

The recoverable amount of the UB CGU has been determined based on a value-in-use calculation using cash flow projections based on financial projections approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 8% and cash flows beyond the 5-year period are estimated as a terminal value computed by discounting future cash flows to present value.

### 30. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (CONTD.)

Purchased goodwill is attributable to one of the three stockbroking trading licences purchased by the Company. The recoverable amount of the UB CGU is compared to the total carrying amount of 3 trading licences, including two stockbroking trading licence that were purchased by and assessed for impairment by the ultimate holding company, OSK Holdings Berhad.

#### • Singapore stockbroking CGU

The recoverable amount of the Singapore CGU has been determined based on a value-in-use calculation using 5-year cash flow projections based on financial projections approved by management covering five-year period and discount rate of 8% is applied.

#### • Hong Kong stockbroking CGU

The recoverable amount of the Hong Kong CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budget approved by management covering a year period and discount rate of 4% is applied.

**Carrying amount of intangible assets allocated to each of the material CGUs are as follows:**

	<b>Goodwill on consolidation RM</b>	<b>Purchased goodwill RM</b>	<b>Total RM</b>
UB CGU	-	46,516,468	46,516,468
Singapore stockbroking CGU	27,741,325	-	27,741,325
Hong Kong stockbroking CGU	739,600	-	739,600
Other CGU	658,680	-	658,680
	<u>29,139,605</u>	<u>46,516,468</u>	<u>75,656,073</u>

#### **Key assumptions used in value-in-use calculation of UB CGU:**

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill attributable to its UB CGU include:

- *Budgeted gross brokerage rate* - The basis used to determine the value assigned to the budgeted gross brokerage rate is lower than the average gross margin achieved in the year immediately before the budgeted year, due to the commission rate pressure and further liberalisation of commission rates in year 2008.

**30. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES (CONTD.)**

- *Budgeted margin interest rate* - The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation or expansion of the planned investment banking business.

**Key assumptions used in value-in-use calculation of Singapore stockbroking CGU ("DMG"):**

- *Budgeted gross brokerage rate* - The basis used to determine the value assigned to the budgeted gross brokerage rate is same as the average gross margin achieved in the year immediately before the budgeted year.
- *Budgeted margin interest rate* - The basis used to determine the value assigned to the budgeted margin interest rate is comparable to the average margin interest rate achieved in the year immediately before the budgeted year.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation.

**Key assumptions used in value-in-use calculation of Hong Kong stockbroking CGU ("OSKAS"):**

- *Budgeted gross margin rate* - This is determined based on the CGU's past performance and management's expectation for the market development.
- *Operational costs* - Other operational costs are expected to increase in line with expected inflation.

**Merchant Bank Licence**

This represents contribution to Bank Negara Malaysia ("BNM") for a merchant bank licence to transform the Bank from a Universal Broker into an Investment Bank and is considered to have indefinite useful live, which is not amortised. There are no indications that require an impairment assessment of the merchant bank licence as the licence is only newly acquired.

**31. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed deposits	1,263,400,443	-	1,263,400,443	-
Negotiable instruments of deposit	278,600,000	-	278,600,000	-
Short term deposits	577,070,373	-	603,638,783	-
	<u>2,119,070,816</u>	<u>-</u>	<u>2,145,639,226</u>	<u>-</u>

The maturity structure  
of deposits is as  
follows:

Due within one year	1,792,775,816	-	1,819,344,226	-
One year to two years	326,295,000	-	326,295,000	-
	<u>2,119,070,816</u>	<u>-</u>	<u>2,145,639,226</u>	<u>-</u>

Analysis of deposits by  
customer type are  
as below:

Government and statutory bodies	27,000,000	-	27,000,000	-
Domestic non-bank financial institutions	-	-	1,755,827,205	-
Business enterprises	295,042,898	-	321,611,308	-
Foreign entities	550,000	-	550,000	-
Individuals	27,323,656	-	27,323,656	-
Others	13,327,057	-	13,327,057	-
	<u>2,119,070,816</u>	<u>-</u>	<u>2,145,639,226</u>	<u>-</u>

The deposits bear average fixed interest rate of between 3.10% to 3.95% per annum.

Included in deposits from customers of the Group and Bank are deposits accepted from related companies of RM15,585,000 (2006: nil) and RM42,153,410 (2006: nil).

**32. DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS**

The deposits and placements of financial institutions, which are licensed banks in Malaysia relate to interbank borrowings permitted for Investment Banks. The borrowings in 2006 bore weighted average fixed effective interest rate of 3.70% per annum and were less than 30 days to maturity from the balance sheet date.

**33. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**

The securities sold under repurchase agreements as disclosed in Note 17 are as follows:

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Private debt securities in Malaysia and negotiable instruments of deposits	240,631	-
	<u>240,631</u>	<u>-</u>

**34. DERIVATIVE FINANCIAL LIABILITIES**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
At cost:		
Quoted cash-settled call warrants ("SW") over equities quoted in:		
- United States of America	18,269,845	-
- Hong Kong	185,718,439	-
	<u>203,988,284</u>	<u>-</u>
Add:		
Provision for foreseeable losses on structured warrant liabilities	6,711,532	-
	<u>210,699,816</u>	<u>-</u>
At market value:		
Quoted cash-settled SW over equities quoted in:		
- United States of America	16,407,345	-
- Hong Kong	148,349,528	-
	<u>164,756,873</u>	<u>-</u>

Certain marketable securities disclosed in Note 17 and derivative financial assets disclosed in Note 20 are held by the Group and the Bank for the purpose of hedging against the derivative financial liabilities.

All derivative financial liabilities are denominated in Ringgit Malaysia and have a remaining exercise period of less than one year.

**35. TRADE PAYABLES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount due to clients	730,022,543	508,097,949	502,179,983	183,158,817
Amount due to brokers	2,397,801,036	735,480,831	84,541,870	53,616,593
Amount due to foreign clearing house	35,614,854	-	-	-
Due to unit trust funds	40,847,998	7,613,327	-	-
	<u>3,204,286,431</u>	<u>1,251,192,107</u>	<u>586,721,853</u>	<u>236,775,410</u>

The trade credit term for securities trading of the Bank is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities, 3 market days for the Singapore subsidiary company and 2 market days for the Hong Kong subsidiary company.

The trade credit term for fixed income instruments trading generally ranges from the same trading day to 2 market days.

The normal trade credit term for unit trust funds is 10 (2006: 10) days.

The carrying amounts of the trade payables of the Group and the Bank are denominated in the following currencies:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
RM	637,703,105	303,807,797	586,558,217	236,775,410
SGD	2,407,391,956	856,279,843	-	-
HKD	146,642,191	91,104,467	-	-
USD	12,537,416	-	163,636	-
AUD	11,763	-	-	-
	<u>3,204,286,431</u>	<u>1,251,192,107</u>	<u>586,721,853</u>	<u>236,775,410</u>

**36. OTHER PAYABLES, DEPOSITS AND ACCRUALS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Other payables	10,961,313	8,466,953	5,556,575	7,081,196
Deposits received from dealer's representatives	41,767,542	32,724,586	41,767,542	32,300,445
Interest payable	19,472,877	177,025	19,486,795	177,025
Provision for interest cost and compensation in relation to litigation suits [Note 49(a) and (c)]	59,133,405	56,344,113	59,133,405	56,344,113
Accruals	98,336,413	48,180,781	66,804,847	32,569,184
	<u>229,671,550</u>	<u>145,893,458</u>	<u>192,749,164</u>	<u>128,471,963</u>

Included in other payables of the Group is a management fee payable to UOB-OSK Asset Management Sdn. Bhd., an associated company of the holding company, OSK Holdings Berhad, amounting to RM10,046,354 (2006: RM3,042,082).

**37. AMOUNT DUE TO HOLDING COMPANY**

The amount due to holding company are unsecured, interest-free and have no fixed terms of repayment.

**38. AMOUNT DUE TO RELATED COMPANIES**

The amount due to related companies are trade in nature and are in relation to transactions conducted in the ordinary course of business.

**39. SHORT TERM BORROWINGS**

	Note	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
Secured:					
Finance lease payable					
within one year					
(Note 40)					
		725,842	679,450	-	-
Unsecured:					
Bank overdrafts	(a)	2,026,647	11,064,158	-	10,538,650
Revolving credits	(b)	-	43,628,640	-	30,000,000
Short term bank					
loans	(c)	89,643,218	-	-	-
Commercial					
papers	(d)	-	254,113,987	-	254,113,987
		<u>92,395,707</u>	<u>309,486,235</u>	<u>-</u>	<u>294,652,637</u>

The carrying amount of the short term borrowings are denominated in the following currencies:

	Group		Bank	
	2007 RM	2006 RM	2007 RM	2006 RM
RM	-	294,848,239	-	294,652,637
SGD	2,752,489	1,009,356	-	-
HKD	89,643,218	13,628,640	-	-
	<u>92,395,707</u>	<u>309,486,235</u>	<u>-</u>	<u>294,652,637</u>

**Note (a)**

The bank overdrafts of the Group bore interest rate of 0.5% above the bank's prime rate (2006: 1.50% above the bank's base lending rate and 0.5% above the bank's prime rate) per annum.

The bank overdrafts of the Bank for the financial period bore interest rate of 1.00% to 1.50% (2006: 1.00% to 1.50%) per annum above the bank's base lending rate. The bank overdrafts of the Bank were supported by corporate guarantees from the holding company.

**39. SHORT TERM BORROWINGS (CONTD.)****Note (b)**

In prior year, the revolving credits of the Group and the Bank bore interest rate of 4.67% to 6.46% and 4.67% per annum respectively. The revolving credit was rollover on a daily basis.

**Note (c)**

The short term bank loans of a subsidiary company bore interest rate of 2.95% to 6.08% per annum (2006: nil) and are repayable within one year.

Included in short term bank loans is an amount of RM89,643,218 (2006: nil) owing by a subsidiary company, OSK Asia Holdings Limited, which is supported by a corporate guarantee from the holding company of the Bank, OSK Holdings Berhad, to the extent of HKD170,000,000 (RM72,046,000 equivalent).

**Note (d)**

	<b>Group and Bank</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
<b>Commercial papers</b>		
Nominal value	-	260,000,000
Less: Unamortised discount	-	(5,886,013)
	<u>-</u>	<u>254,113,987</u>

The Bank entered into a debt issuance arrangement with its financier to issue commercial papers ("CPs") and/or medium term notes ("MTNs"), issued through private placements, for working capital purposes in 2006 of up to RM300,000,000 for a tenure of seven years from 25 September 2006. There is no CP or MTN outstanding as at 31 December 2007 and the CP/MTN programme was cancelled subsequent to the financial year.

The zero coupon CPs were issued at discounts ranging from 3.97% to 4.40% (2006: 3.90% to 4.40%) on the nominal value.

**40. FINANCE LEASE PAYABLES**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>
Secured:		
Amount payable		
- within one year (Note 39)	725,842	679,450
- between one to five years	483,689	1,214,276
	<u>1,209,531</u>	<u>1,893,726</u>

The Group's obligations under finance leases are payable as follows:

	<b>Present value of payments RM</b>	<b>Interest RM</b>	<b>Minimum lease payments RM</b>
<b>As at 31 December 2007</b>			
Within one year	725,842	59,187	785,029
Between one to five years	483,689	13,896	497,585
	<u>1,209,531</u>	<u>73,083</u>	<u>1,282,614</u>
<b>As at 31 December 2006</b>			
Within one year	679,450	108,658	788,108
Between one to five years	1,214,276	73,367	1,287,643
	<u>1,893,726</u>	<u>182,025</u>	<u>2,075,751</u>

The discount rate implicit in the lease is 6.84% (2006: 6.85%) per annum.

**41. DEFERRED TAXATION**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of year	3,740,688	3,235,509	3,186,000	3,087,000
Acquisition of subsidiaries/merger of futures and options business	-	(64,736)	(154,866)	-
(Reversed)/recognised in income statement	(9,026,177)	573,616	(7,788,949)	99,000
Exchange difference	1,384	(3,701)	-	-
At end of year	<u>(5,284,105)</u>	<u>3,740,688</u>	<u>(4,757,815)</u>	<u>3,186,000</u>

**41. DEFERRED TAXATION (CONTD.)**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(5,542,364)	(115,781)	(4,757,815)	(46,381)
Deferred tax liabilities	258,259	3,856,469	-	3,232,381
	<u>(5,284,105)</u>	<u>3,740,688</u>	<u>(4,757,815)</u>	<u>3,186,000</u>

**(a) Deferred tax assets**

At beginning of year	(115,781)	(89,601)	(46,381)	(40,971)
Acquisition of subsidiaries/merger of futures and options business	-	(438,121)	(154,866)	-
Recognised in income statement	(5,426,583)	418,754	(4,556,568)	(5,410)
Exchange difference	-	(6,813)	-	-
At end of year	<u>(5,542,364)</u>	<u>(115,781)</u>	<u>(4,757,815)</u>	<u>(46,381)</u>

**(b) Deferred tax liabilities**

At beginning of year	3,856,469	3,325,110	3,232,381	3,127,971
Acquisition of subsidiaries	-	373,385	-	-
Recognised in income statement	(3,599,594)	154,862	(3,232,381)	104,410
Exchange difference	1,384	3,112	-	-
At end of year	<u>258,259</u>	<u>3,856,469</u>	<u>-</u>	<u>3,232,381</u>

The deferred tax assets and liabilities mainly relate to temporary differences arising from:

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Accelerated capital allowances	3,723,777	3,852,683	3,293,501	3,232,381
Provisions and others	(9,007,882)	(111,995)	(8,051,316)	(46,381)
	<u>(5,284,105)</u>	<u>3,740,688</u>	<u>(4,757,815)</u>	<u>3,186,000</u>

**42. SHARE CAPITAL**

	<b>Group and Bank</b>			
	<b>Number of share</b>		<b>Amount</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
			<b>RM</b>	<b>RM</b>
<b>Authorised:</b>				
Ordinary shares of RM1 each				
At beginning/end of year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of RM1 each				
At beginning of year	630,000,000	530,000,000	630,000,000	530,000,000
Issued during the year	-	100,000,000	-	100,000,000
At end of year	<u>630,000,000</u>	<u>630,000,000</u>	<u>630,000,000</u>	<u>630,000,000</u>

**For year ended 31 December 2006**

On 29 March 2006, the Bank increased its issued and paid-up share capital from RM530,000,000 to RM630,000,000 through the issuance of 100,000,000 ordinary shares of RM1 each at par for cash, for additional working capital purposes.

**43. RESERVES**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-distributable:</b>				
Foreign exchange reserve	(5,637,880)	(705,630)	-	-
Statutory reserve	<u>89,982,486</u>	-	<u>89,982,486</u>	-
	84,344,606	(705,630)	89,982,486	-
<b>Distributable:</b>				
Retained profits	<u>111,597,963</u>	<u>51,464,811</u>	<u>51,581,125</u>	<u>26,904,439</u>
	<u>195,942,569</u>	<u>50,759,181</u>	<u>141,563,611</u>	<u>26,904,439</u>

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

**43. RESERVES (CONTD.)**

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Bank shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Bank will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Bank can utilise the balance in the 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of dividend out of its entire retained profits as at 31 December 2007 without incurring additional tax liabilities.

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS****(a) Directors' remuneration**

The directors' remuneration included in other operating expenses as disclosed in Note 10 are paid/payable to the following directors of the Bank:

**Executive Directors**

Ong Leong Huat @ Wong Joo Hwa	
Y.Bhg. Dato' Nik Mohamed bin	
Nik Yahya	(resigned on 29 January 2007)
Wong Chong Kim	(resigned on 29 January 2007)
Chin Cheng Mei	(resigned on 29 January 2007)
Nik Halim @ Nik Ghazi bin	
Haji Nik Daud	(resigned on 29 January 2007)
Mohd. Idris bin Ahmad Jais	(resigned on 29 January 2007)
Diong King Kuang	(resigned on 29 January 2007)
Tai Lee Chuan	(resigned on 29 January 2007)

#### 44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)

##### Non-Executive Directors

Dr. Choong Tuck Yew	(appointed on 29 January 2007)
Y.Bhg. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	(appointed on 29 January 2007)
Y.Bhg. Dato' Abdul Majit bin Ahmad Khan	(appointed on 29 January 2007)
Foo San Kan	(appointed on 29 January 2007)
Leong Keng Yuen	(appointed on 29 January 2007)
Y.Bhg. Dato' Mohamed Tarmizi bin Mohd. Tahir	(resigned on 29 January 2007)
Loy Tuan Bee	(resigned on 29 January 2007)

##### (b) Subsidiary companies

Identities	Nature of transactions	Bank	
		2007 RM	2006 RM
OSK Nominees (Tempatan) Sdn. Berhad	(i) Support service fee income	(2,400)	(800)
	(ii) Service and custodian fee expense	22,922	21,288
	(iii) Dividend received	(876,000)	-
OSK Nominees (Asing) Sdn. Berhad	(i) Support service fee income	(1,800)	(600)
	(ii) Service and custodian fee expense	83,366	77,350
	(iii) Dividend received	(219,000)	-
TCL Nominees (Tempatan) Sdn. Bhd.	(i) Service and custodian fee expense	3,328	3,618
	(ii) Dividend received	(365,000)	-
TCL Nominees (Asing) Sdn. Bhd.	(i) Support service fee income	(3,600)	(1,200)
	(ii) Service and custodian fee expense	116,391	116,020
	(iii) Dividend received	(146,000)	-
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	(i) Service and custodian fee expense	24,614	23,370
	(ii) Dividend received	(109,500)	-

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS  
(CONTD.)**

**(b) Subsidiary companies (Contd.)**

Identities	Nature of transactions	Bank	
		2007 RM	2006 RM
KE-ZAN Nominees (Asing) Sdn. Bhd.	(i) Dividend received	(51,000)	-
OSK Research Sdn. Bhd.	(i) Research cost	3,759,267	2,664,147
	(ii) Internal audit fee	-	(2,840)
OSK-UOB Unit Trust Manage- ment Berhad	(i) Commission income	(3,058,369)	(720,598)
	(ii) Rental income	(159,348)	(139,002)
	(iii) Support service fee income	(62,400)	(20,800)
	(iv) Dividend received	(10,475,500)	-
	(v) Internal audit fee	(5,660)	-
OSK Trustee Berhad	(i) Commission income	(557,534)	(289,054)
	(ii) Support service fee income	(39,000)	(13,000)
	(iii) Internal audit fee	-	(9,660)
OSK Futures And Options Sdn. Bhd.	(i) Rental income	(125,502)	(148,056)
	(ii) Support service fee income	(250,875)	(111,500)
	(iii) Dividend received	(4,891,000)	-
	(iv) Internal audit fee	-	(13,840)
DMG & Partners Securities Pte Ltd	(i) Referral fee income	(990)	-
	(ii) Dividend received	(5,265,878)	-
OSK Asia Securities Ltd	(i) Referral fee income	(161,987)	-
	(ii) Quote winner service fees	4,038	-

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(c) Associated companies**

<b>Identities</b>	<b>Nature of transactions</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Finexasia.com Sdn. Bhd.	(i) Support service fee income	(119,400)	-	(119,400)	(39,800)
	(ii) Online trading access fee expense	4,415,070	3,707,890	4,352,932	3,678,030
	(iii) Annual maintenance fee expense	820,000	820,004	820,000	820,000
	(iv) Corporate website development, content management and hosting expense	19,400	18,000	11,700	10,800
	(v) Dividend received	-	-	(227,500)	-

**(d) Related companies**

KE-ZAN Holdings Berhad	(i) Support service fee income	(104,700)	-	(104,700)	(34,900)
	(ii) Rental expense	7,582,879	6,571,480	6,984,124	6,571,480
	(iii) Internal audit fee	-	(3,900)	-	(3,900)
OSK Holdings	(i) Advisory fee income	(10,000)	(115,000)	(10,000)	(115,000)
	(ii) Brokerage income on share trading	-	(101,784)	-	(101,784)

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(d) Related companies (Contd.)**

Identities	Nature of transactions	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
OSK Ventures International Berhad	(i) Support service fee income	(120,000)	-	(120,000)	-
	(ii) Advisory fee income	(60,000)	(160,000)	(60,000)	(160,000)
OSK Asset Management Sdn. Bhd.	(i) Support service fee income	(14,400)	(4,800)	(14,400)	(4,800)
	(ii) Referral fee income	(157,146)	-	(157,146)	-
	(iv) Brokerage income on share trading	-	(31,659)	-	(31,659)
	(v) Internal audit fee	-	(8,280)	-	(8,280)
OSK Technology Ventures Sdn. Bhd.	Brokerage income on share trading	-	(66,295)	-	(66,295)
OSK Capital Sdn. Bhd.	(i) Support service fee income	(153,000)	-	(153,000)	(51,000)
	(ii) Brokerage income on share trading	-	(176)	-	(176)
OSK Capital Partners Sdn. Bhd.	Brokerage income on share trading	-	(29,909)	-	(29,909)

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(d) Related companies (Contd.)**

<b>Identities</b>	<b>Nature of transactions</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
OSK Properties Sdn. Bhd.	(i) Support service fee income	(52,500)	-	(52,500)	(17,500)
	(ii) Rental expense	365,471	305,578	365,471	306,185
	(iii) Sale of motor vehicle	(49,000)	-	(49,000)	-
	(iv) Net book value of plant and equipment transferred out	-	(120)	-	(120)
OSK Property Holdings Berhad	(i) Advisory fee income	(264,100)	-	(264,100)	-
	(ii) Agency fee income	(50,000)	(50,000)	(50,000)	(50,000)
	(iii) Underwriting fees	(346,232)	-	(346,232)	-
	(iv) Support service fee income	(120,000)	(40,000)	(120,000)	(40,000)
	(v) Brokerage income on share buyback exercises	-	(511)	-	(511)
	(vi) Internal audit fee	-	(26,840)	-	(26,840)
OSK Properties (Seremban) Sdn. Bhd.	Support service fee income	(3,600)	-	(3,600)	(1,200)
OSK Realty Sdn. Bhd.	(i) Support service fee income	(11,100)	-	(11,100)	(3,700)
	(ii) Rental expense	24,000	-	24,000	24,000

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(d) Related companies (Contd.)**

<b>Identities</b>	<b>Nature of transactions</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
OSK Investment Bank (Labuan) Limited	(i) Support service fee income (ii) Internal audit fee	(10,200)	(3,400)	(10,200)	(3,400)
		-	(3,320)	-	(3,320)
OSK Wealth Planners Sdn. Bhd.	(i) Support service fee income (ii) Internal audit fee	(9,000)	-	(9,000)	(3,000)
		-	(2,880)	-	(2,880)
UOB-OSK Asset Management Sdn. Bhd.	Fund management fee expense	10,046,354	6,056,317	-	-

Other related companies of the Bank are as follows:

Aspect Potential Sdn. Bhd.  
 Aspect Synergy Sdn. Bhd.  
 Atria Damansara Sdn. Bhd. (formerly known as Nexus Empire Sdn. Bhd.)  
 Country Wheels Sdn. Bhd.  
 K.E. Malaysian Capital Partners Sdn. Bhd.  
 KPEN Sdn. Bhd.  
 OSK Infrastructure Investments Limited  
 OSK Private Equity Management Sdn. Bhd.

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(d) Related companies (Contd.)**

OSK Properties (Seremban) Sdn. Bhd.  
 OSK Properties Management Sdn. Bhd.  
 OSK REIT Management Sdn. Bhd. (formerly known as Ascendas-OSK REIT Management Sdn. Bhd.)  
 OSK Venture Equities Sdn. Bhd.  
 OSK Ventures International Limited (formerly known as Future View Investment Limited)  
 OSK Venture Sdn. Bhd.  
 Perspektif Vista Sdn. Bhd.  
 Semponia Sdn. Bhd.

**(e) Other related parties**

- (i) Certain directors/major shareholders of PJ Development Holdings Berhad and Dindings Consolidated Sdn. Bhd. are the family members of Mr Ong Leong Huat @ Wong Joo Hwa and Mr Wong Chong Kim.

Identities	Nature of transactions	Group		Bank	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>Subsidiary company of PJ Development Holdings Berhad</b>					
Swiss Garden	(i) Rental expense	14,700	-	14,700	-
Management Services Sdn. Bhd.	(ii) Hotel accommodation expense	4,246	31,837	4,246	31,837
		<hr/>	<hr/>	<hr/>	<hr/>

**44. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONTD.)****(e) Other related parties (Contd.)****Subsidiary companies of Dindings Consolidated  
Sdn. Bhd. Group**

<b>Identities</b>	<b>Nature of transactions</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007 RM</b>	<b>2006 RM</b>	<b>2007 RM</b>	<b>2006 RM</b>
DC Services Sdn. Bhd.	Insurance premium expense	151,779	322,202	151,779	226,402
Dinding Life Agency Sdn. Bhd.	Insurance premium expense	-	156,128	-	-
Dinding Risks Management Services Sdn. Bhd.	Insurance premium expense	<u>302,112</u>	<u>722,779</u>	<u>297,918</u>	<u>635,259</u>

**(ii) Former directors of the Bank**

Cheang & Ariff *	Legal fees paid	387,200	151,088	387,200	151,088
Y.Bhg. Dato' Nik Mohamed bin Nik Yahya	Sale of mobile phone	(105)	-	(105)	-
Chin Cheng Mei	Sale of motor vehicle	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>

\*A partner of the aforesaid firm is Mr. Loy Tuan Bee.

**45. COMMITMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
(a) Capital commitments:				
(i) Authorised and contracted for:				
- plant and equipment	578,519	218,519	360,000	-
(ii) Authorised but not contracted for:				
- registered capital in an indirect subsidiary company	-	7,086,893	-	-
- plant and equipment	10,933,342	493,342	10,800,000	360,000
(b) Underwriting and loans commitments	971,896,848	434,846,620	971,896,848	434,846,620
(c) Operating lease commitments				
- less than 1 year	4,331,456	4,410,322	-	-
- after 1 year and within 5 years	416,912	3,036,417	-	-
	<u>988,157,077</u>	<u>450,092,113</u>	<u>983,056,848</u>	<u>435,206,620</u>

**46. CONTINGENT LIABILITIES**

	<b>Note</b>	<b>Group</b>		<b>Bank</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bank guarantee provided by the Bank to Bursa Clearing	(a)	1,109,166	997,588	1,109,166	997,588
Contingent liabilities arising from guarantees given by the unit trust subsidiary to the Trustee of certain unit trust funds	(b)	-	1,886,170	-	-
		<u>1,109,166</u>	<u>2,883,758</u>	<u>1,109,166</u>	<u>997,588</u>

**46. CONTINGENT LIABILITIES (CONTD.)**Note (a)

The Bank provided a bank guarantee to Bursa Clearing to ensure minimum disruption to the clearing and settlement system as a result of the failure of any trading clearing participants.

Note (b)

OSK-UOB Unit Trust Management Berhad ("OUTM"), a subsidiary company, entered into an agreement with two licensed commercial banks ("the Commercial Banks") to provide unconditional and irrevocable guarantees to the Trustee (on behalf of the Unit Holders) of OSK-UOB Capital Guaranteed Funds – Series 1; OSK-UOB Capital Guaranteed Funds – Series 2 and OSK-UOB Capital Guaranteed BRIC Fund ("the Funds") which guarantee the payment of capital value of RM1.00 per unit of the Funds at respective maturity dates, in the event that the net asset value of the Funds is less than the capital value as at the maturity

Inter-alia, OUTM undertakes to reimburse the Commercial Banks in full the shortfall, if any which may be paid by the Commercial Banks to the Unit Holders pursuant to the abovementioned guarantees at the respective maturity dates.

The contingent liabilities of OUTM are quantified annually until the date of maturity and are based on the total units in circulation and differences between the capital value and net asset value of the Funds. As at 31 December 2007, there is no contingent liability to OUTM based on the units in circulation and net asset value per unit of the Funds.

**47. OTHER SIGNIFICANT EVENTS**

- (a) On 15 November 2006, the Bank entered into a Business Merger Agreement ("BMA") with its subsidiary company, OSK Futures and Options Sdn. Bhd. ("OSKFO"), to merge its stock broking activities with the futures and options broking activities of OSKFO, which was completed by 1 October 2007, after receiving the necessary approvals from the relevant regulatory authorities and shareholders. SC had granted a futures broker's licence to the Bank to enable the Bank to carry out futures broking business and OSKF ceased to carry out futures broker business. The High Court of Malaysia had also granted a Vesting Order to facilitate the transfer of business and undertakings from OSKF to the Bank.
- (b) The Bank changed its name to OSK Investment Bank Berhad with effect from 18 January 2007 to facilitate its transformation from a Universal Broker to an Investment Bank. Pursuant thereto, the Bank commenced business as an Investment Bank with effect from 29 January 2007.

**47. OTHER SIGNIFICANT EVENTS (CONTD.)**

- (c) On 12 February 2007, OSK-UOB Unit Trust Management Berhad ("OUTM"), a 70%-owned subsidiary company of the Bank entered into a Joint Venture Agreement 1 ("JVA 1") with iFAST Corporation Pte Ltd ("iFAST Corp") and Mr Lim Chung Chun ("LCC") to establish a joint venture company ("Newco") for the purpose of dealing in unit trust funds in Malaysia, including acting as an Institutional Unit Trust Agent, operating a unit trust-related website, investment management services and other ancillary services. The proposed shareholdings in Newco is 49% by OUTM, 49% by iFAST Corp and 2% by LCC. The Monetary Authority of Singapore had granted its approval-in-principle on 29 March 2007.

On 1 August 2007, iFast Capital Sdn. Bhd. ("iFast Cap"), was incorporated with an initial issued and paid-up share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each to carry on the business as governed in the JVA 1.

On 19 November 2007, the above-mentioned joint-venture partners decided to terminate JVA 1 and replace it with a new joint venture agreement entered into between the Bank and iFAST Corp on even date ("JVA 2") wherein a new company named iFast-OSK Sdn. Bhd. ("iFast-OSK") was set-up as an investment holding company of iFast Cap.

iFast-OSK has an initial authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1 each and an initial paid-up share capital of RM200,000 ordinary shares of RM1 each. The Bank has an interest of 49% in iFast-OSK whilst the remaining 51% is held by iFAST Corp. Subsequently on 26 November 2007, the authorised share capital and paid-up share capital of iFast-OSK was increased to RM10,000,000 comprising 10,000,000 ordinary shares of RM1 each. The Bank's total subscription of the 49% equity in iFast-OSK was RM4,900,000.

On 19 November 2007, iFast-OSK and a director of the Bank, Dato' Nik Mohamed Din bin Datuk Nik Yusoff ("DND"), acquired from OUTM, iFAST Corp and LCC their entire shareholding in iFast Cap on a "willing-buyer willing-seller" basis for RM100,000, being the issued and paid-up share capital of iFast Cap of 100,000 ordinary shares of RM1 each. Upon the acquisition, iFast-OSK and DND respectively hold 82% and 18% interest in iFast Cap. This shareholding structure is necessary to facilitate the restructuring of iFast Cap to fulfill the Bumiputera shareholding requirement for a license application to be submitted to the Securities Commission to carry out unit trusts funds distribution and other related services under the Capital Market Services Act, 2007.

- (d) On 14 May 2007, OUTM, a 70% owned-subsiary company, entered into a Sale and Purchase Agreement ("SPA") with the holding company of the Bank, OSK Holdings Berhad, to acquire 1,450,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of OSK Wealth Planners Sdn. Bhd. for a total consideration of RM1.00.

The acquisition was completed on 20 August 2007.

#### **47. OTHER SIGNIFICANT EVENTS (CONTD.)**

- (e) On 5 June 2007, the Bank, its holding company, OSK Holdings Berhad, together with the following wholly-owned subsidiary companies ("collectively known as the Purchasers"), entered into a Sale and Purchase Agreement with the following shareholders of UOB Trustees (Malaysia) Berhad ("UOBT") ("collectively known as the Vendors") for the acquisition of the entire issued share capital of UOBT, comprising 100,000 ordinary shares of RM10 per share and partly paid-up to RM5 per share which were held equally by the Vendors for a total purchase consideration of RM800,000:

The Purchasers

OSK Holdings Berhad  
OSK Investment Bank Berhad  
OSK Nominees (Tempatan) Sdn. Berhad  
KE-ZAN Nominees (Tempatan) Sdn. Bhd.  
TCL Nominees (Tempatan) Sdn. Bhd.

The Vendors

United Overseas Bank (Malaysia) Berhad  
UOB Smart Solutions Sdn. Bhd.  
UOB Credit Berhad  
UOB 2006 Nominees (Tempatan) Sdn. Bhd.  
UOB 2006 Nominees (Asing) Sdn. Bhd.

On 13 July 2007, the Ministry of Finance through Bank Negara Malaysia approved the proposed acquisition of UOBT. The acquisition was completed on 2 November 2007.

- (f) On 25 September 2007, Bank Negara Malaysia granted an approval to the Bank to conduct Islamic banking business under Section 124 of the Banking and Financial Institutions Act, 1989.

The Bank has yet to commence the Islamic banking business.

#### **48. SUBSEQUENT EVENTS**

- (a) On 16 November 2006, OSKIBL, a wholly-owned subsidiary of the Company, entered into a JVA with WSQAP and Mr. Bustani to set up a joint-venture company in Dubai International Financial Centre ("DIFC") to offer financial products, investment and corporate advisory services.

Pursuant to the JVA, OSKIBL and WSQAP will each hold a 42.5% stake in the joint venture company and the remaining 15% will be held by Mr. Bustani. This is subject to approvals of the relevant authorities of DIFC for the establishment of the joint venture company.

The JVA has been terminated by mutual consent with effect from 4 January 2008.

**48. SUBSEQUENT EVENTS (CONTD.)**

- (b) On 11 January 2008, OSKAH, 91.01%-owned subsidiary of OSKIB which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of EBII, a shelf company comprising one (1) ordinary share of HK\$1 for a total purchase consideration of HK\$1.

EBII was incorporated in Hong Kong on 12 December 2007 with an initial authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and paid-up share capital of HK\$1 divided into one (1) ordinary share of HK\$1. Upon completion of the Acquisition, EBII has become a wholly-owned subsidiary of OSKAH and an indirect subsidiary of the Company. EBII will be principally involved in the provision of asset management services.

Following the Acquisition, EBII has increased its authorised share capital by HK\$19,990,000 from HK\$10,000 to HK\$20,000,000. OSKAHL has also on the completion date subscribed to an additional 4,999,999 ordinary shares of EBII of HK\$1 each, increasing EBII's issued and paid-up share capital from HK\$1 to HK\$5,000,000 comprising 5,000,000 ordinary shares of HK\$1 each.

On 17 January 2008, EBIIIL has changed its name to OSK Asia Asset Management Limited.

- (c) On 16 January 2008, OSKT and UOBT entered into a Business Merger Agreement ("BMA") to merge their respective business activities. OSKT and UOBT, are both public company limited by shares incorporated in Malaysia to carry on the business of a trust company.

OSKT and UOBT, are both public company limited by shares incorporated in Malaysia to carry on the business of a trust company. Presently, OSKT has an authorised share capital of RM10.0 million comprising of 1.0 million ordinary shares of RM10 each and 900,000 ordinary shares of RM10 each which is partly paid-up to RM5 each have been issued. UOBT has an authorised and issued share capital of RM1.0 million comprising of 100,000 ordinary shares of RM10 each which is partly paid-up to RM5 each.

#### 48. SUBSEQUENT EVENTS (CONTD.)

The issued and paid-up share capital of both OSKT and UOBT are held by the following shareholders in equal proportions

- a) OSK Holdings Berhad - 20%;
- b) OSK Investment Bank Berhad - 20%;
- c) OSK Nominees (Tempatan) Sdn. Berhad - 20%;
- d) TCL Nominees (Tempatan) Sdn. Berhad - 20%; and
- e) KE-ZAN Nominees (Tempatan) Sdn. Berhad - 20%.

The Trustees Business Merger is a strategic move by OSKH Group to tap into the enlarged operational and customer base arise from the acquisition of UOBT from United Overseas Bank (Malaysia) Berhad Group, which was completed in November 2007. The operations of OSKT and UOBT are combined to achieve the business and operational synergies and economies of scale.

The Trustees Business Merger is conditional upon the following being satisfied:

- a) the approval of Companies Commission of Malaysia, Securities Commission and/or other relevant authorities;
- b) the shareholders' approvals of OSKT and UOBT to the BMA; and
- c) the grant of a Vesting Order of the High Court of Malaya to facilitate the transfer of the business of UOBT to OSKT.

#### 49. MATERIAL LITIGATIONS

Save as disclosed below, the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

- (a) Kuala Lumpur High Court Suit No. D8 (D3)-22-543-1993 Asset Investments Pte. Ltd. ("the Plaintiff") vs O.S.K. & Partners Sdn. Bhd. (now known as OSK Investment Bank Berhad) ("OSKIB")**

The suit was brought by the Plaintiff against OSKIB for losses which purportedly resulted from the latter's alleged breach of contract and/or negligence and/or breach of statutory duty arising from an asset-swap transaction which the Plaintiff entered into in 1992.

On 17 December 2004, judgment was entered by the High Court against OSKIB for the sum of RM26,984,729 with interest of 8% per annum from the date of filing of the said action, i.e. 27 May 1993 until full realisation and costs.

#### **49. MATERIAL LITIGATIONS (CONTD.)**

- (a) Kuala Lumpur High Court Suit No. D8 (D3)-22-543-1993 Asset Investments Pte. Ltd. ("the Plaintiff") vs O.S.K. & Partners Sdn. Bhd. (now known as OSK Investment Bank Berhad) ("OSKIB") (Contd.)**

The Court of Appeal had on 18 April 2007 allowed OSKIB's appeal and the judgement against OSKIB has been set aside.

The Plaintiff had on 17 May 2007 filed a Notice of Motion to the Federal Court seeking leave to appeal against the Court of Appeal's decision. The Federal Court has postponed the hearing date from 7 January 2008 to a date to be fixed pending Court of Appeal's written judgement.

As at 31 December 2007, a total of RM58,502,892 (31.12.2006: RM56,344,113) had been provided for by the Bank for compensation and interest cost for this legal suit as disclosed in Notes 10 and 36 pending the decision of the Federal Court on the Plaintiff's appeal.

- (b) Kamal, Lokman & Mustakim Holdings Sdn. Bhd. ("Chargor") and Ahmad Azari bin Mohd. Daud ("Azari") (collectively referred to as the "Plaintiffs") vs. OSK Capital Sdn. Bhd. ("OSKC") and OSK Nominees (Tempatan) Sdn. Berhad ("OSKNT") and Another (collectively referred to as the "Defendants") (Seremban High Court Suit No. 22-216-2003)**

The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20,000,000, general damages, interest and costs and claiming against OSKC/OSKNT for negligence, breach of duty, fiduciary duty and unjust enrichment in relation to a facility of RM13,000,000 granted to Azari by OSKC. OSKC and OSKNT had filed their defence on 17 February 2004.

OSKC and OSKNT had respectively filed applications to strike out the Plaintiffs' Writ of Summons and Statement of Claim on the basis that the filing of the action by the Plaintiffs was frivolous and vexatious. OSKC and OSKNT have also filed an application under Order 14A of the Rules of the High Court, 1980 to dispose the Plaintiffs' prayers in seeking the declarations that the charges are inequitable and/or illegal in light of the order for sale and successful auction of the charged land. The striking out application is fixed for decision on 13 March 2008 whilst the Order 14A application has been fixed for further mention on 14 April 2008.

OSKC and OSKNT had filed an application for security for costs against the Chargor on 23 August 2006 and the said application was dismissed by the Court on 6 April 2007. The Plaintiffs have on 4 May 2007 filed the notice to attend case management before trial.

**49. MATERIAL LITIGATIONS (CONTD.)**

**(c) OSK Securities Berhad (now known as OSK Investment Bank Berhad) ("OSKIB") (the "Plaintiff") v Probo Pacific Leasing Ltd ("Probo") and Tan Kim Wah (Kuala Lumpur High Court Civil Suit No. D1-22-129-1989)**

The solicitors in charge of this matter are of the view that OSKC and OSKNT stand a reasonable chance of success in dismissing the Plaintiffs' claim.

OSKIB commenced an action against Probo and Tan Kim Wah claiming inter alia, a declaration that a put option (over shares) agreement allegedly provided by OSKIB is a forgery and is therefore void *ab initio*.

Probo filed a counterclaim seeking the sum of SGD1,867,788.80 as damages for the purported wrongful repudiation by OSKIB of its Put Option.

On 2 September 2003, OSKIB's claim was dismissed and Probo's counterclaim was allowed and accordingly, judgment in the sum of SGD1,867,788.80 together with interest thereon at the rate of 8% per annum from 4 June 1998 to the date of full payment and settlement was entered in favour of Probo.

OSKIB's appeal to the Court of Appeal was fixed for hearing on 6 November 2006. The Court of Appeal after hearing the submissions from counsels dismissed OSKIB's appeal. OSKIB had on 22 November 2006 filed for leave to appeal to the Federal Court. OSKIB had also on 22 November 2006 filed for the application for a stay of execution and on 8 January 2007 obtained a stay of execution pending OSKIB's application for leave to appeal to the Federal Court.

In the meantime, OSKIB had, on 8 August 2005, filed a suit against Hove Traders Pte Ltd, Global Holdings Sdn Bhd, Tan Kim Wah and Tan Kim Yeow (collectively called the "Defendants") claiming that OSKIB is entitled to be indemnified by the Defendants in respect of the aforesaid judgments on 2 September 2003. The case management which was adjourned to 30 November 2007 has now been further adjourned to 11 March 2008.

As at 31 December 2007, a total of RM630,513 (31.12.2006: RM Nil) had been provided for by the Bank for interest cost for this legal suit as disclosed in Notes 10 and 36 pending the decision of the Federal Court on the Plaintiff's appeal.

## **50. BASKET CALL WARRANTS ("BASKET CW")**

On 30 November 2005, the Bank has completed the public offering of 20,500,000 Basket CW and the final issue price was determined at RM1.03 per Basket CW. The Basket CW was listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 December 2005.

In accordance with the terms of the Basket CW, 1000 Basket CW are entitled to one Basket comprising a fixed composition of the Underlying Securities (i.e. the "Basket Components"). The Basket Components have been fixed and comprises 127 shares of 20 underlying companies which are listed on Bursa Securities. Each Board Lot of the Basket CW comprises 100 Basket CW. The Final Issue Price has been determined to be RM1.03 per Basket CW on the completion date of 30 November 2005. The proceeds from the issuance of the Basket CW, after deducting the issuance expenses, were used to purchase the Underlying Securities. The Underlying Securities are held in trust by the Security Trustee for the benefit of the Basket CW holders.

Net dividends received on the Underlying Securities will be aggregated and distributed out as income to the Basket CW holders twice a year in May and November during the life of the Basket CW, after a deduction of 25% of the net dividends in favour of the Bank for management charges and without interest.

Prior to 4 October 2006, the mode of exercise of the Basket CW is European style whereby it can be exercised by the holders only at the expiry date on 27 November 2009. On 4 October 2006, the Bank obtained the approval from the Basket CW holders to modify the mode of exercise of the Basket CW from European-style to Bermudan-style of exercise ("Modification"). Consequent upon the Modification, the Basket CW can be exercised on 28 February, 29 May, 29 August and 29 November of each year and at the Expiry Date on 29 November 2009.

The Basket CW is to be cash settled once the rights conferred is exercised by the Basket CW holders. The Basket CW holders are granted the exercise rights, in respect of each Board Lot of Basket CW to receive the Cash Settlement Amount upon exercise of the Basket CW. The other terms of the Basket CW, including the Settlement Price and the Exercise Price are stated in the Prospectus for the Basket CW dated 16 November 2005.

The Underlying Securities of the Basket CW are not recognised in the financial statements for accounting purposes as substantially the risks and rewards incidental to ownership of the Underlying Securities have been transferred to the Basket CW holders.

## **51. FINANCIAL INSTRUMENTS**

### **(a) Credit risk**

The Group and the Bank have no significant concentration of credit risk from exposure to a single receivable or to groups of receivables except that the majority of the fixed deposits and short term placements are placed with major licensed financial institutions both in and outside Malaysia. The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

### **(b) Operational risk**

The operational risk arises from the daily function of the Group which includes legal risk, credit risk, reputation risk, financial funding risk and risks associated to daily running operational activities.

Such risks are mitigated through proper levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the Board recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that the system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an on-going process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies.

### **(c) Currency risk**

There are no material unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies which may give rise to currency risk other than those disclosed in the respective notes to financial statements.

**51. FINANCIAL INSTRUMENTS (CONTD.)****(d) Interest rate risk**

The carrying amounts, the effective interest rates ("EIR") as at the balance sheet date and the remaining maturities of the Group's and the Bank's financial instruments that are exposed to interest rate risk are tabled below:

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	> 5 Years RM	Total RM
<b>Group</b>									
<b>At 31 December 2007</b>									
<b>Fixed rate</b>									
Cash, bank balances and deposits									
- General accounts	15(a)	2.79 to 3.35	108,565,802	-	-	-	-	-	108,565,802
- Segregated accounts	15(b)	3.32 to 3.36	452,816,190	-	-	-	-	-	452,816,190
Deposits and placements with financial institutions									
	16	3.50 to 3.52	476,330,000	-	-	-	-	-	476,330,000
Money market instruments									
	17	3.65 to 7.24	479,770,564	-	-	-	-	-	479,770,564
Private debt securities in Malaysia									
	17	3.61 to 8.95	70,274,429	123,768,000	154,031,300	70,341,500	212,940,500	189,261,000	820,616,729
Loans, advances and financing									
	19	4.5 to 8.00	193,538,199	74,344,562	-	-	-	-	267,882,761
Deposits from customers									
	31	3.10 to 3.95	(1,792,775,816)	(326,295,000)	-	-	-	-	(2,119,070,816)

**51. FINANCIAL INSTRUMENTS (CONTD.)****(d) Interest rate risk (Contd.)**

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	> 5 Years RM	Total RM
<b>Group (Contd.)</b>									
<b>At 31 December 2007</b>									
<b>Fixed rate</b>									
Obligations on securities sold under repurchase agreements	33	3.50	(240,631)	-	-	-	-	-	(240,631)
Finance lease payables	40	6.84	(725,842)	(483,689)	-	-	-	-	(1,209,531)
<b>Floating rate</b>									
Bank overdrafts	39	5.50	(2,026,647)	-	-	-	-	-	(2,026,647)
Revolving credits	39	3.40	-	-	-	-	-	-	-
Short term bank loans	39	2.95 to 6.08	(89,643,218)	-	-	-	-	-	(89,643,218)

## 51. FINANCIAL INSTRUMENTS (CONTD.)

## (d) Interest rate risk (Contd.)

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	> 5 Years RM	Total RM
<b>Group (Contd.)</b>									
<b>At 31 December 2006</b>									
<b>Fixed rate</b>									
Cash, bank balances and deposits									
- General accounts	15(a)	2.85 to 3.35	101,857,499	-	-	-	-	-	101,857,499
- Segregated accounts	15(b)	2.40 to 3.53	198,049,972	-	-	-	-	-	198,049,972
Deposits and placements with financial institutions									
	16	3.52	15,600,000	-	-	-	-	-	15,600,000
Money market instruments									
	17	3.64	309,536	-	-	-	-	-	309,536
Private debt securities in Malaysia									
	17	5.00 to 8.25	44,130,233	7,000,000	45,093,000	80,000,000	35,000,000	188,860,525	400,083,758
Deposits and placements of financial institutions									
	32	3.70	(102,090,000)	-	-	-	-	-	(102,090,000)
Commercial papers									
	39	3.90 to 4.40	(254,113,987)	-	-	-	-	-	(254,113,987)
Finance lease payables									
	40	6.85	(679,450)	(728,691)	(485,585)	-	-	-	(1,893,726)
<b>Floating rate</b>									
Bank overdrafts									
	39	5.50 to 8.00	(11,064,158)	-	-	-	-	-	(11,064,158)
Revolving credits									
	39	4.67 to 6.46	(43,628,640)	-	-	-	-	-	(43,628,640)

## 51. FINANCIAL INSTRUMENTS (CONTD.)

## (d) Interest rate risk (Contd.)

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	> 5 Years RM	Total RM
<b>Bank</b>									
<b>At 31 December 2007</b>									
<b>Fixed rate</b>									
Cash, bank balances and deposits									
- General accounts	15(a)	3.35	4,308,980	-	-	-	-	-	4,308,980
- Segregated accounts	15 (b)	3.36	405,644,000	-	-	-	-	-	405,644,000
Deposits and placements with financial institutions									
	16	3.50 to 3.52	476,330,000	-	-	-	-	-	476,330,000
Money market instruments									
	17	3.65 to 7.24	479,770,564	-	-	-	-	-	479,770,564
Private debt securities in Malaysia									
	17	3.61 to 8.95	70,274,429	123,768,000	154,031,300	70,341,500	212,940,500	189,261,000	820,616,729
Loans, advances and financing									
	19	4.5 to 8.00	193,538,199	74,344,563	-	-	-	-	267,882,762
Deposits from customers									
	31	3.10 to 3.95	(1,819,344,226)	(326,295,000)	-	-	-	-	(2,145,639,226)
Obligations on securities sold under repurchase agreements									
	33	3.50	(240,631)	-	-	-	-	-	(240,631)

**51. FINANCIAL INSTRUMENTS (CONTD.)****(d) Interest rate risk (Contd.)**

	Note	EIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	> 5 Years RM	Total RM
<b>Bank (Contd.)</b>									
<b>At 31 December 2006</b>									
<b>Fixed rate</b>									
Cash, bank balances and deposits									
- Segregated accounts	15(b)	3.30	158,127,000	-	-	-	-	-	158,127,000
Deposits and placements with financial institutions	16	3.52	15,600,000	-	-	-	-	-	15,600,000
Private debt securities in Malaysia	17	5.00 to 8.25	44,130,233	7,000,000	45,093,000	80,000,000	35,000,000	188,860,525	400,083,758
Deposits and placements of financial institutions	32	3.70	(102,090,000)	-	-	-	-	-	(102,090,000)
Commercial papers	39(d)	3.90 to 4.40	(254,113,987)	-	-	-	-	-	(254,113,987)
<b>Floating rate</b>									
Bank overdrafts	39	7.25 to 7.50	(10,538,650)	-	-	-	-	-	(10,538,650)
Revolving credits	39	4.67	(30,000,000)	-	-	-	-	-	(30,000,000)

**51. FINANCIAL INSTRUMENTS (CONTD.)****(e) Fair Values**

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

	<b>Group</b>				<b>Bank</b>			
	<b>2007</b>		<b>2006</b>		<b>2007</b>		<b>2006</b>	
	<b>Carrying</b>	<b>Fair Values</b>	<b>Carrying</b>	<b>Fair Values</b>	<b>Carrying</b>	<b>Fair Values</b>	<b>Carrying</b>	<b>Fair Values</b>
	<b>Amounts</b>		<b>Amounts</b>		<b>Amounts</b>		<b>Amounts</b>	
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets</b>								
<u>Short term investments</u>								
<u>(Note 17)</u>								
(i) Marketable securities:								
- quoted in Malaysia	4,874,400	6,247,822	2,799,796	2,799,796	4,874,400	6,247,822	2,799,796	2,799,796
- quoted outside								
Malaysia	11,698,929	11,339,552	1,951,075	1,951,075	11,698,929	11,339,552	-	-
(ii) Basket call warrants								
quoted in Malaysia	42,401	43,684	92,769	92,769	42,401	43,684	92,769	92,769
(iii) Private debt securities								
in Malaysia	820,450,717	822,347,225	400,083,758	442,551,400	820,450,717	822,347,225	400,083,758	442,551,400

## 51. FINANCIAL INSTRUMENTS (CONTD.)

## (e) Fair Values (Contd.)

	Group				Bank			
	2007		2006		2007		2006	
	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM
<u>Fund Manager's stocks</u> <u>(Note 18)</u>								
Unit trusts quoted in Malaysia	12,813,188	12,979,720	1,786,564	1,786,564	-	-	-	-
<u>Derivative financial assets</u> <u>(Note 20)</u>								
Unquoted derivatives over equities quoted:								
- in Malaysia	2,967,800	490,220	-	-	2,967,800	490,220	-	-
- outside Malaysia	136,521,412	133,939,356	-	-	136,521,412	134,429,576	-	-
<u>Other long term investments</u> <u>(Note 25)</u>								
(i) Unquoted shares in Malaysian Rating Corporation Berhad	490,000	718,778	490,000	933,651	490,000	718,778	490,000	933,651

## 51. FINANCIAL INSTRUMENTS (CONTD.)

## (e) Fair Values (Contd.)

	Group				Bank			
	2007		2006		2007		2006	
	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM
<u>Other long term investments</u> <u>(Note 25) (Contd.)</u>								
(ii) Transferable golf club memberships	228,200	1,247,000	228,200	1,214,000	228,200	1,247,000	228,200	1,214,000
Amount due from subsidiary companies (Note 26(b))	-	-	-	-	1,090,000	#	250,344	#
<b>Financial liabilities</b>								
<u>Derivative financial liabilities</u> <u>(Note 34)</u>								
Quoted cash-settled call warrants over equities quoted:								
- outside Malaysia	210,699,816	164,756,873	-	-	210,699,816	164,756,873	-	-

**51. FINANCIAL INSTRUMENTS (CONTD.)****(e) Fair Values (Contd.)**

	<b>Group</b>				<b>Bank</b>			
	<b>2007</b>		<b>2006</b>		<b>2007</b>		<b>2006</b>	
	<b>Carrying Amounts RM</b>	<b>Fair Values RM</b>	<b>Carrying Amounts RM</b>	<b>Fair Values RM</b>	<b>Carrying Amounts RM</b>	<b>Fair Values RM</b>	<b>Carrying Amounts RM</b>	<b>Fair Values RM</b>
Amount due to holding company (Note 37)	2,630,240	#	1,565,653	#	-	-	-	-
Amount due to related companies (Note 38)	12,150,722	#	26,616,671	#	8,592,219	#	23,574,589	#

# It is not practical to estimate the fair values of amount due to holding company, subsidiary companies and related company due principally to a lack of fixed repayment terms entered by the parties involved and the inability to estimate fair value without incurring excessive costs. However, the Bank does not anticipate the carrying amounts of these financial instruments to be significantly different from the values that would eventually be settled or received.

The nominal amount and net fair values of contingent liabilities and material litigation not recognised in the balance sheet of the Group as at the end of the year are as disclosed in Note 46 and Note 49, respectively. It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing and eventual outcome.

**51. FINANCIAL INSTRUMENTS (CONTD.)****(e) Fair Values (Contd.)**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

**(i) Other long term investments**

The fair value of shares in Malaysian Rating Corporation Berhad is determined by reference to the net tangible assets of the underlying shares. The fair value of the transferable golf club membership is based on the current market price of the relevant golf club memberships.

**(ii) Short term investments, unquoted derivative financial assets and quoted derivative financial liabilities.**

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. The fair value of private debt securities is estimated using pricing models or discounted cash flow techniques, as published by an approved bond pricing agency commencing January 2007. If discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for a similar instrument at the balance sheet date.

The fair value of unquoted derivative financial assets is based on indicative quotes obtained from the counterparties nearest to the balance sheet date.

**(iii) Fund Manager's stocks**

The fair value of Fund Manager's stocks is determined by reference to announced net asset value at the close of the business on the balance sheet date.

**(iv) Finance lease payables**

The fair value of these borrowing is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

**(v) Trade and other receivables (excluding prepayments that are not financial assets), trade and other payables, cash and cash equivalents, deposits and placements of banks and short term borrowings.**

The carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

**52. COMPARATIVES**

Certain comparative figures have been reclassified to conform to the current year's presentation.