

Annual Report 2009.

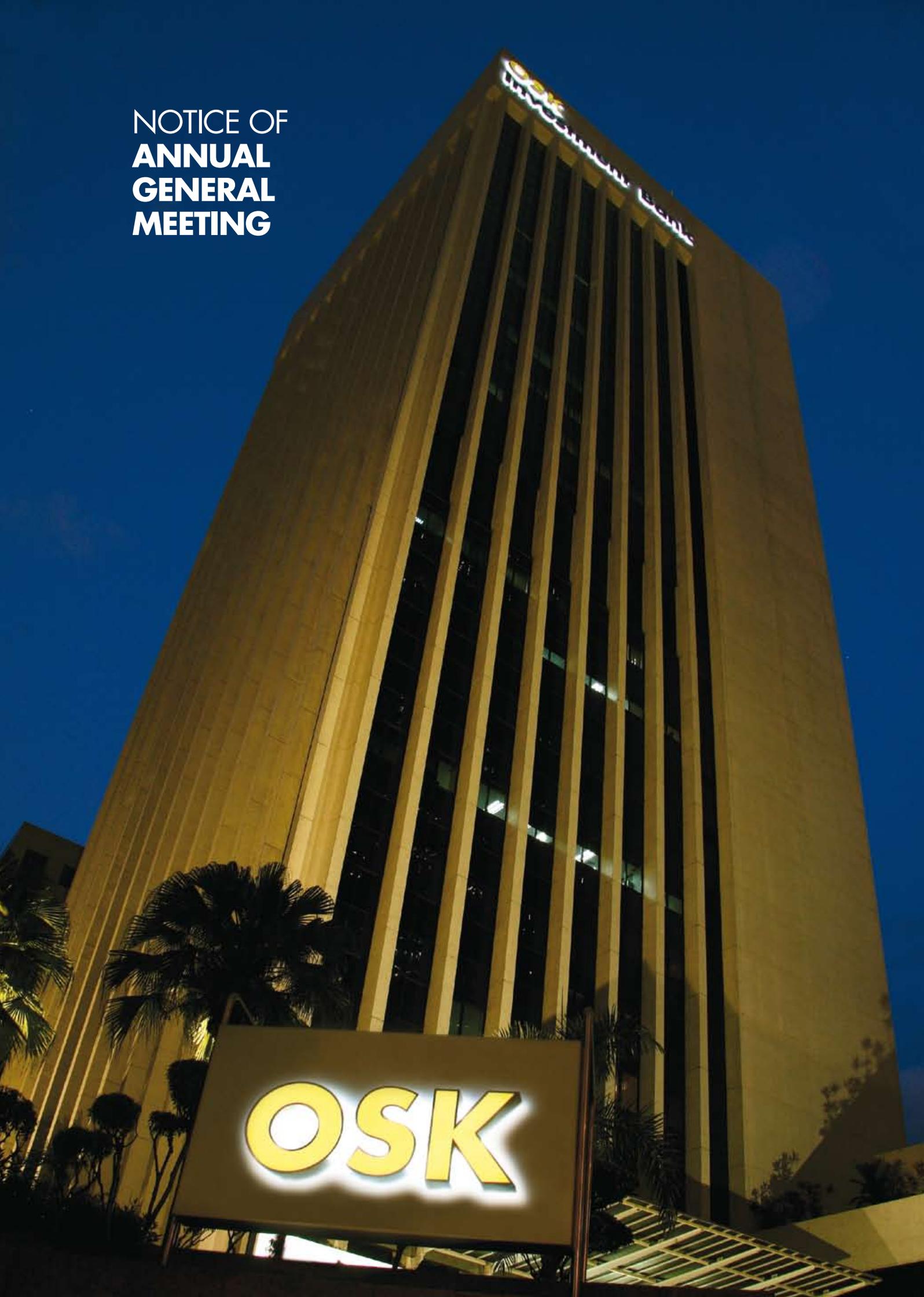
OSK Holdings

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NOTICE OF
**ANNUAL
GENERAL
MEETING**

A tall, modern building with a facade of vertical panels and glass windows is illuminated at night. The building's name, "OSK", is visible at the top. In the foreground, a large, illuminated sign displays the letters "OSK" in a bold, yellow font. The scene is set against a dark blue night sky, with palm trees and other foliage visible in the lower left and right corners.

OSK

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 14 April 2010 at 2.30 p.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2009 and the Reports of Directors and Auditors thereon. **(Please refer Explanatory Note 1)**
2. To sanction the declaration of a final dividend of 5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2009. **Ordinary Resolution 1**
3. To approve the payment of Directors' fees of RM204,760.00 for the financial year ended 31 December 2009. **Ordinary Resolution 2**
4. To re-elect the following Directors who retire by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (a) Dato' Nik Mohamed Din bin Datuk Nik Yusoff **Ordinary Resolution 3**
 - (b) Mr. Ong Leong Huat @ Wong Joo Hwa **Ordinary Resolution 4**
5. To re-appoint Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

6. AUTHORITY TO ISSUE SHARES

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING

7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")**

"THAT, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.1 of the Circular to Shareholders dated 23 March 2010, provided that such transactions are undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders;

THAT such approval shall continue to be in force until the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the next Annual General Meeting;
- (b) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 143(1) of the Companies Act ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) is revoked or varied by resolution passed by shareholders in a general meeting before the next Annual General Meeting;

THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

**Ordinary
Resolution 7**

8. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL")**

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities as the Directors may deem fit and expedient in the interest of the Company, provided that:

- (i) the aggregate number of shares purchased does not exceed 10% of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company's audited retained profit of RM230.4 million and/or the share premium account of RM0.5 million for the financial year ended 31 December 2009 at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends;

AND THAT the authority conferred by this resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase."

**Ordinary
Resolution 8**

9. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Notice is hereby given that the final dividend of 5 sen per ordinary share less 25% income tax for the year ended 31 December 2009, if approved by the shareholders at the Twentieth Annual General Meeting, will be payable on 18 May 2010 to shareholders whose names appear in the Register of Members and Record of Depositors on 30 April 2010.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 28 April 2010 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 30 April 2010 in respect of ordinary transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WONG WEI FONG (MAICSA 7006751)

LIM LEE KUAN (MAICSA 7017753)

Company Secretaries

Kuala Lumpur
23 March 2010

Notes:

1. A member is entitled to attend and vote at this meeting entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Explanatory Notes on Special Business
 - a) Item 1 of the Agenda
This Agenda item is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.
 - b) Ordinary Resolution 6 – Authority to Issue Shares
This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.
The proposed resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.
 - c) Ordinary Resolution 7 – Proposed Shareholders' Mandate
The proposed resolution, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.
Please refer to the Circular to Shareholders dated 23 March 2010 for further information.
 - d) Ordinary Resolution 8 – Proposed Renewal
The proposed resolution, if passed, will allow the Company to purchase its own shares up to 10% of the total issued and paid-up capital of the Company by utilising the funds allocated which shall not exceed the earnings and share premium of the Company.
Please refer to the Share Buy-Back Statement dated 23 March 2010 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 4 of the Notice of the Twentieth Annual General Meeting are set out in the Directors' Profile appearing on pages 14 to 16 of this Annual Report.

FIVE-YEAR GROUP FINANCIAL SUMMARY

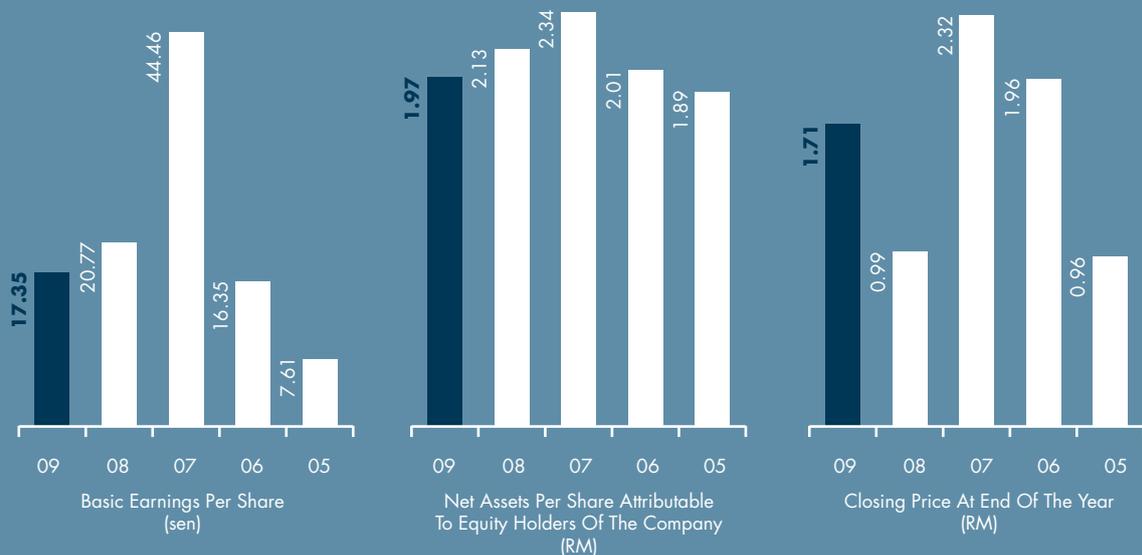
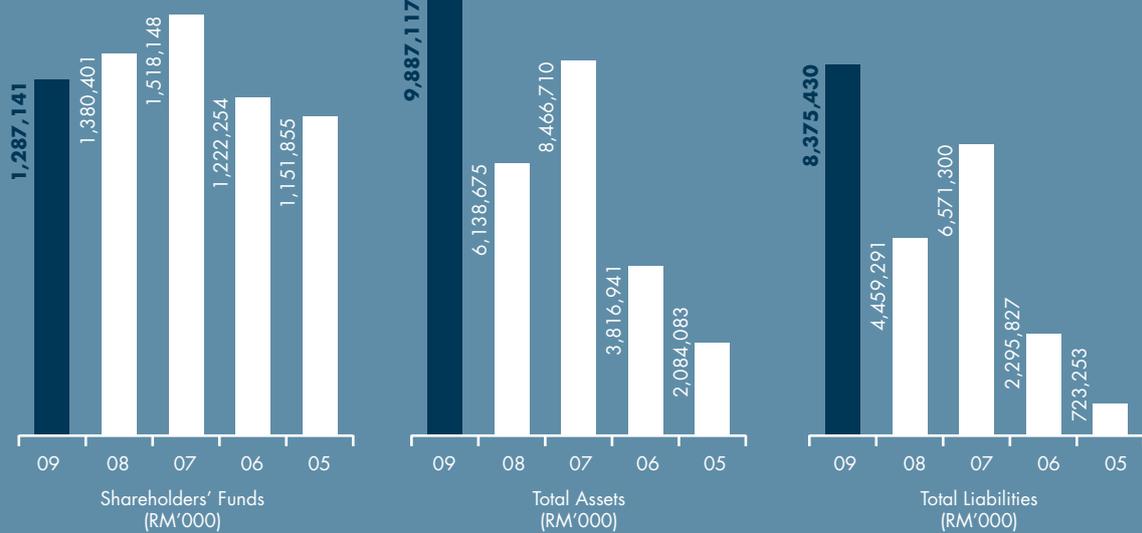
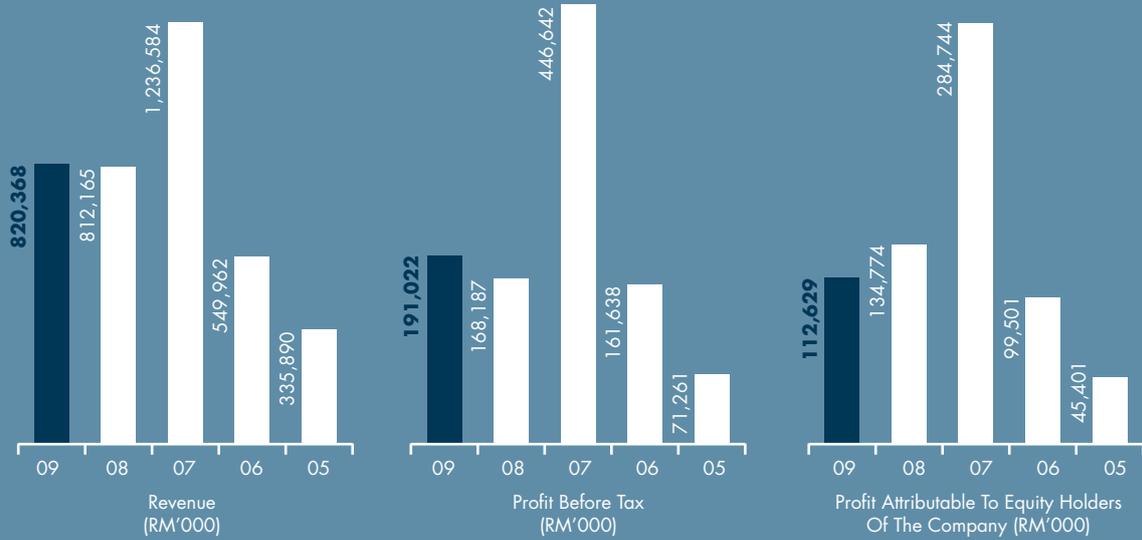
(RM'000)	2009	2008	Restated 2007 ³	2006 ²	2005 ²
FINANCIAL RESULTS					
Revenue	820,368	812,165	1,236,584	549,962	335,890
Profit Before Tax ¹	191,022	168,187	446,642	161,638	71,261
Profit Attributable To Equity Holders Of The Company	112,629	134,774	284,744	99,501	45,401
KEY BALANCE SHEET DATA					
Total Assets	9,887,117	6,138,675	8,466,710	3,816,941	2,084,083
Total Liabilities	8,375,430	4,459,291	6,571,300	2,295,827	723,253
Net Assets Attributable To Equity Holders Of The Company (Shareholders' Funds)	1,287,141	1,380,401	1,518,148	1,222,254	1,151,855
Number Of Outstanding Ordinary Shares As Issued And Fully Paid Excluding Treasury Shares Held ('000 shares)	654,516	648,922	648,064	608,569	610,358
SHARE INFORMATION					
Basic Earnings Per Share (sen)	17.35	20.77	44.46	16.35	7.61
Gross Dividends Per Share (sen)	7.50	7.50	20.00	12.50	7.50
Net Assets Per Share Attributable To Equity Holders Of The Company (RM)	1.97	2.13	2.34	2.01	1.89
Closing Price At End Of The Year	1.71	0.99	2.32	1.96	0.96

¹ Profit Before Tax for financial year 2005 to 2006 have been restated in accordance with the adoption of Financial Reporting Standard ("FRS") 101: Presentation of Financial Statements where share of results of associated companies is now presented net of tax and accounted for within profit before tax.

² The financial figures for financial year 2005 to 2006 have not been restated in accordance with the requirements of Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8").

³ The financial figures for financial year 2007 have been restated in accordance with BNM/GP8.

FIVE-YEAR GROUP FINANCIAL SUMMARY



BOARD OF DIRECTORS

Dato' Nik Mohamed Din bin Datuk Nik Yusoff	-	<i>Non-Independent Non-Executive Chairman</i>
Ong Leong Huat @ Wong Joo Hwa	-	<i>Non-Independent Non-Executive Director</i>
Wong Chong Kim	-	<i>Non-Independent Non-Executive Director</i>
Dr. Ngo Get Ping	-	<i>Independent Non-Executive Director</i>
Dato' Abdul Majit bin Ahmad Khan	-	<i>Independent Non-Executive Director</i>
Foo San Kan	-	<i>Independent Non-Executive Director</i>

MANAGEMENT BOARD/EXECUTIVE COMMITTEE

Dato' Nik Mohamed Din bin Datuk Nik Yusoff – *Chairman*
Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim

AUDIT COMMITTEE

Foo San Kan – *Chairman*
Wong Chong Kim
Dr. Ngo Get Ping

RISK MANAGEMENT COMMITTEE

Dr. Ngo Get Ping – *Chairman*
Dato' Abdul Majit bin Ahmad Khan
Wong Chong Kim

NOMINATING COMMITTEE

Dr. Ngo Get Ping – *Chairman*
Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Dato' Abdul Majit bin Ahmad Khan
Foo San Kan

REMUNERATION COMMITTEE

Dato' Abdul Majit bin Ahmad Khan – *Chairman*
Foo San Kan
Ong Leong Huat @ Wong Joo Hwa

ESOS COMMITTEE

Dato' Abdul Majit bin Ahmad Khan – *Chairman*
(appointed on 19 November 2009)
Wong Chong Kim

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

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
CIMB Bank Berhad
DBS Bank Ltd
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Oversea-Chinese Banking Corporation Limited
PT BankPermata TBK
PT Bank OCBC Indonesia
PT Bank CIMB Niaga
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Standard Chartered Bank (Hong Kong) Limited
The Hong Kong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited
United Overseas Bank (Malaysia) Berhad

SOLICITOR

Cheang & Ariff

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel. No. : (603) 7841 8000
Fax No. : (603) 7841 8008

REGISTERED OFFICE/ PRINCIPAL BUSINESS ADDRESS

20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel. No. : (603) 2333 8333
Fax No. : (603) 2175 3220

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

MANAGEMENT TEAM

ASSET MANAGEMENT

Eliza Ong Yin Suen

Director
Group Wealth and Investment
Services

CAPITAL FINANCING

Chow Hock Kin

Associate Director

CORPORATE ADVISORY

Joseph Soo Hong Weng

Director
Head of Corporate Finance

DERIVATIVES & STRUCTURED PRODUCTS

Foo Keah Keat

Director
Head of Derivatives & Structured
Products

DEBT CAPITAL MARKETS

Eddie Fong Loong Seng

Director
Head of Debt Capital Markets

INVESTMENT BANKING

Ong Ju Yan

Director
Investment Banking and Special
Assistant to Group Managing
Director/CEO

Mohd Izzuddin Bin Mohd Yusof

Director
Investment Banking

Kenny Yee Shen Pin

Director
Investment Banking

ISLAMIC BANKING

Yazit Bin Yusuff

Director
Head of Islamic Banking

EQUITY CAPITAL MARKETS

Gan Kim Khoon

Director
Head of Equity Capital Markets

TREASURY

Yeo Chin Tiong

Director
Head of Treasury

PRIVATE BANKING

Christine Cho Oi Kwan

Associate Director
Head of Private Banking

BUSINESS DEVELOPMENT

Nik Halim @ Nik Ghazi

Bin Nik Daud
Director
Business Development

DEALING

Diong King Kuang

Director
Head of Dealing (Securities)

Steven Lai Choon Lim

Director
Head of Dealing (Futures)

Mohd Idris Bin Ahmad Jais

Director

Nicky Ng Cheng Loong

Director
Co-Head of Institutional Equities

Noor Ashikin Binti Abdullah

Director
Co-Head of Institutional Equities

Jason Ong Kok Aun

Senior Vice President
Priority Financial Services

ESTATE PLANNING AND TRUSTEE

Woo Lai Mei

Director
Chief Operating Officer

INVESTMENT RESEARCH

Christopher Eng Poh Yoon

Director
Head of Research

UNIT TRUST MANAGEMENT

Ho Seng Yee

Chief Executive Officer

VENTURE CAPITAL

Yee Chee Wai

Chief Operating Officer

OPERATIONS

Lim Ah Lay

Director
Head of Operations

Wong Eng Kui

Director
Equities, Futures & Branch Operations

Jessica Chang Wai Kuen

Senior Vice President
Nominees & Operations Support

Cheong Swee Keong

Associate Director
Head of Credit Control and
Supervision

GROUP SUPPORT SERVICES

Choo Chee Beng

Group Chief Financial Officer
Group Finance & Administration

Woon Chong Boon

Director
Head of Group Corporate & Legal
Affairs

Jeannie Yau Siew Foon

Director
Head of Group Human Resources

Grace Lim Wooi Teen

Director
Head of Risk Management

Lee Kah Kim

Associate Director
Head of Group Internal Audit

Liew Kim Weng

Associate Director
Head of Group Information
Technology

Mahanum Binti Shariff

Associate Director
Head of Group Corporate
Communications

Tio Jun Lim

Associate Director
Business Process

Chin Jeck Leng

Senior Vice President
Customer & Network Management

MANAGEMENT TEAM

NETWORK OFFICES

Eddy Tan Kheak Geai

Director
Head of Northern Region

Roy Kevin Ho Shie Vui

Associate Director
Head of Sarawak State

Alan Chong Chee Choong

Associate Director
State Manager - Selangor

Heah Chee Aun

Associate Director
Head of Branch - Melaka

Ch'ng Kien Hong

Senior Vice President
State Manager - Perak

Lim Beng Hock

Senior Vice President
Head of East Coast Region

Andrew Tan Chai Huat

Vice President
Head of Branch – Johor Bahru

Lucy Bong Sin Mui

Vice President
Acting Head of Branch - Sabah

OSK HOLDINGS – HONG KONG

Hui Chiu Chung, Stephen, JP

Chief Executive Officer
OSK Holdings Hong Kong Limited

Chan Hing Wah, Steve

Deputy Chief Executive Officer
OSK Holdings Hong Kong Limited

Sui Ming Fai, Robin

Executive Director
OSK Holdings Hong Kong Limited

John Maguire

Managing Director
OSK Capital Hong Kong Limited

Au Kim Fung, Allen

Managing Director
OSK Securities Hong Kong Limited

Choy Yin Leng, Tina

General Manager, Operations
OSK Securities Hong Kong Limited

Joseph Chang Cho Yam

Managing Director, Equity Capital
Markets
OSK Securities Hong Kong Limited

Kwong Yuk Ho, Henry

Head of Research
OSK Securities Hong Kong Limited

Tsang Siu Hung, Simon

Executive Director
OSK Futures Hong Kong Limited

DMG & PARTNERS - SINGAPORE

Nicholas Ng

Chief Executive Officer
DMG & Partners Securities Pte. Ltd.

Robert Huray

Executive Director
DMG & Partners Securities Pte. Ltd.

Pauline Lim

Executive Director
DMG & Partners Securities Pte. Ltd.

Tsjeng Po Kiang

Executive Director
DMG & Partners Securities Pte. Ltd.

OSK INDOCHINA BANK LIMITED – CAMBODIA

Lim Loong Seng

Chief Operating Officer/
Country Head
OSK Indochina Bank Limited

Simon Cheong Kim Soon

Head of Operations
OSK Indochina Bank Limited

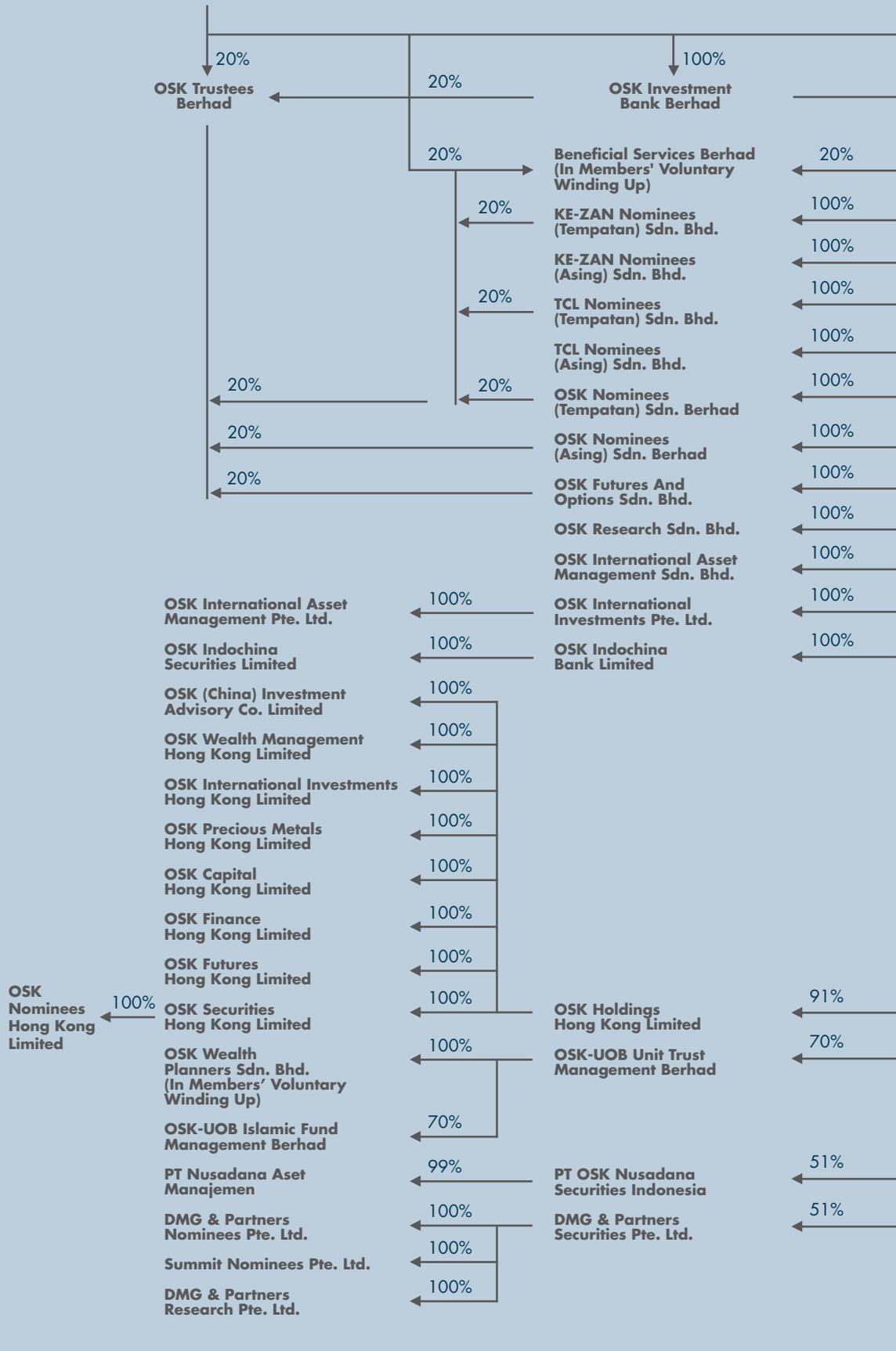
PT OSK NUSADANA SECURITIES INDONESIA

Chan Kong Ming

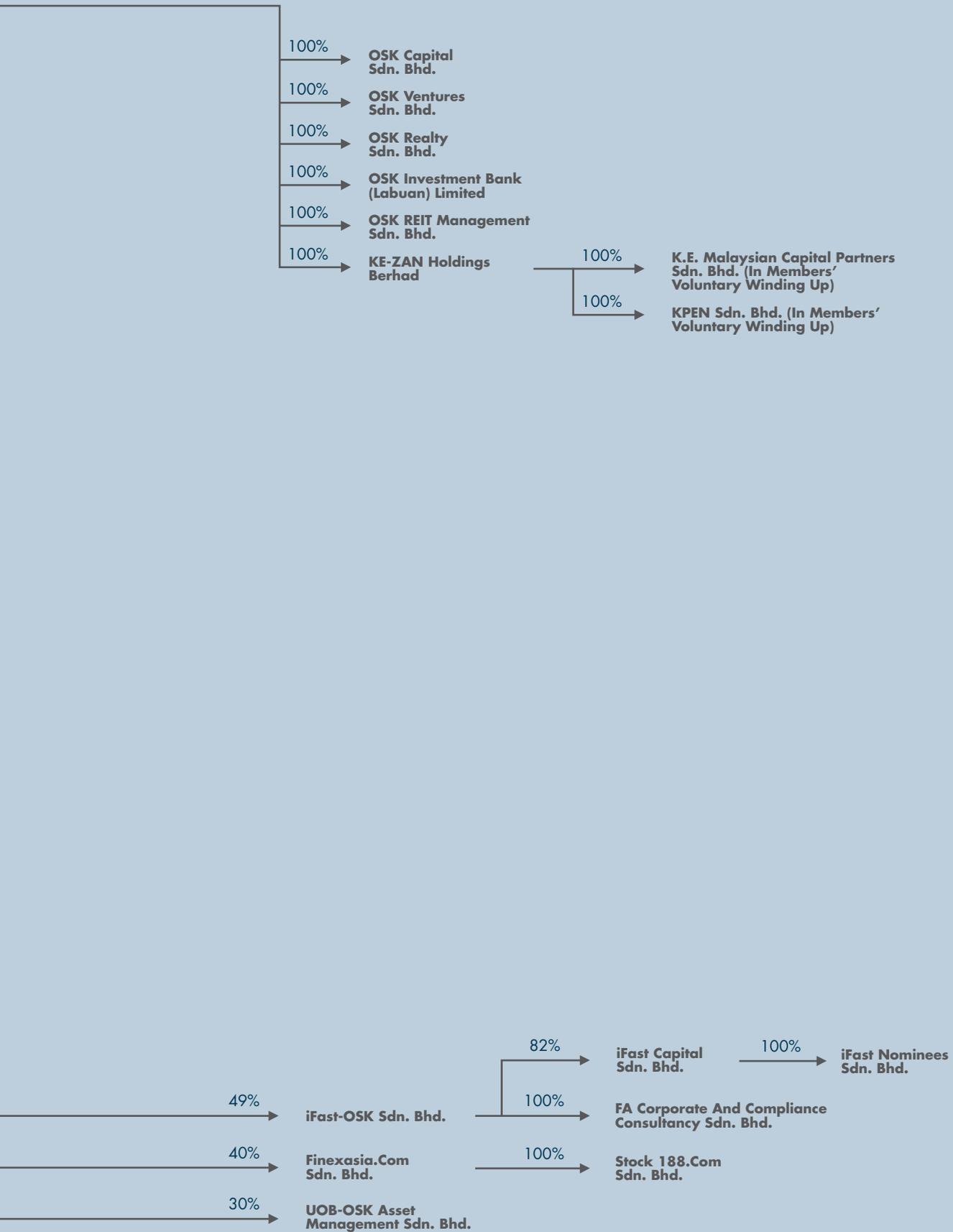
Chief Operating Officer
PT OSK Nusadana Securities
Indonesia

CORPORATE STRUCTURE
AS AT 4 MARCH 2010

OSK HOLDINGS BERHAD (207075-U)



CORPORATE STRUCTURE



DIRECTORS' PROFILE

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, aged 67, a Malaysian, is the Non-Independent Non-Executive Chairman of the Company. He was appointed to the Board of the Company on 12 January 1998 and re-designated as Non-Independent Non-Executive Director on 28 December 2009.

Dato' Nik Mohamed Din is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1968. He then served as a Magistrate for the Malaysian Judicial Services in 1969. Thereafter, he joined private legal practice at Mah, Kok and Din as a lawyer for 13 years. In 1984, he left legal practice to join the stockbroking business and assumed the position of the Executive Chairman as well as a shareholder of O.S.K. & Partners Sendirian Berhad (now known as OSK Investment Bank Berhad).

In 1985, Dato' Nik Mohamed Din was elected Chairman and in 1988 appointed by the Ministry of Finance as the first Executive Chairman of the Kuala Lumpur Stock Exchange ("KLSE") (now known as Bursa Malaysia Securities Berhad) and he held this position for 12 years. Upon expiry of his 3rd term of appointment as Executive Chairman of the KLSE, Dato' Nik Mohamed Din returned to the OSK group as an Executive Chairman of the Company.

Dato' Nik Mohamed Din is also the Executive Chairman of OSK Property Holdings Berhad and OSK Ventures International Berhad. He is also a director of OSK Investment Bank Berhad, Jerasia Capital Berhad and QBE Insurance (Malaysia) Berhad.

Dato' Nik Mohamed Din does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Nik Mohamed Din attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.

ONG LEONG HUAT

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ong Leong Huat, aged 65, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 21 November 1990. He was formerly the Group Managing Director/Chief Executive Officer of the Company and was re-designated to his current position with effect from 4 May 2007. Mr. Ong is also a member of the Nominating Committee and Remuneration Committee of the Company.

He holds a Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities. Mr. Ong was a Director of MESDAQ from July 1999 to March 2002, a member of the Capital Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was a member of the member of the Securities Market Consultative Panel of Bursa Malaysia.

For over 17 years since 1969, he was attached to a leading financial institution for 17 years from 1969 where he last held the position of Senior General Manager. He was the Managing Director/CEO of OSK Securities Berhad (now known as OSK Investment Bank Berhad) from July 1985 to January 2007 and thereafter appointed as the Group Managing Director/CEO of OSK Investment Bank Berhad, a position he stills holds.

Mr. Ong is also a Non-Independent Non-Executive Director of OSK Ventures International Berhad and an Independent Non-Executive Director of Bursa Malaysia Berhad.

Mr. Ong is the brother of Mr. Wong Chong Kim. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Ong attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.

WONG CHONG KIM

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Chong Kim, aged 53, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 21 November 1990. He was formerly the Executive Director of the Company and re-designated to his current position on 4 May 2007. He is also the member of the Audit Committee and Risk Management Committee of the Company.

Mr. Wong is a Fellow of the Association of Chartered Certified Accountants. He holds a Capital Markets and Services Representative's Licence for dealing in securities issued by the Securities Commission under the Capital Markets and Services Act 2007. He joined OSK Investment Bank Berhad ("OSKIB") as Finance Manager in 1985 and was appointed to the Board of OSKIB in 1989 as an Executive Director. He then resigned from the Board of OSKIB and appointed as Deputy Chief Executive Officer of OSKIB on 29 January 2007. Prior to this, he was the Accountant and Assistant Credit Manager of a leading financial institution in 1983 for 2 years.

Mr. Wong is also the Non-Independent Non-Executive Director of OSK Ventures International Berhad and OSK Property Holdings Berhad.

Mr. Wong is the brother of Mr. Ong Leong Huat. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Wong attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.

DR. NGO GET PING

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Ngo Get Ping, aged 51, a Malaysian, was appointed to the Board of the Company on 16 January 2007 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and Nominating Committee and a member of Audit Committee of the Company.

Dr. Ngo graduated from University of Oxford (UK) with a DPhil in Metallurgy in 1984. He was given the best student award by the Institute of Civil Engineer, UK, in 1980.

He was the contract manager for Intraco (S) Pte Ltd, a soil specialist construction company in 1985 and thereafter joined GIC (Singapore) Pte Ltd as an Investment Officer in 1986. He was an Associate Director with James Capel Asia Pte Ltd from 1988 to 1993 and a Senior Vice President with Nomura Securities Singapore Pte Ltd from 1994 to 1996. Prior his retirement in 2006, he was the Head of Sales and Deputy Country Head with CLSA Singapore Pte Ltd for a period of ten (10) years.

Dr. Ngo is also an Independent Non-Executive Director in Tiong Nam Logistics Holdings Berhad.

Dr. Ngo does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dr. Ngo attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.

DIRECTORS' PROFILE

DATO' ABDUL MAJIT BIN AHMAD KHAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abdul Majit bin Ahmad Khan, aged 64, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Remuneration Committee and a member of Risk Management Committee and Nominating Committee of the Company.

Dato' Abdul Majit holds a Bachelor of Economics (Honours) from Universiti Malaya. He served with the government for 34 years and held various positions in the Prime Minister's Department and the Ministry of Foreign Affairs of Malaysia. His positions provided him with wide exposures in various countries that he served at such as Laos, Vietnam, USA, Nigeria, Ghana, Cote de Ivoire, Sierra Leone and Cameroon, the Democratic People's Republic of Korea and the People's Republic of China.

In his capacity as the Under Secretary of West Asia and the OIC, he participated in several Ministerial and prime Ministerial visits to West Asian Countries and OIC Meetings. He was the Director General of the Association of Southeast Asian Nations ("ASEAN") Division of the Ministry of Foreign Affairs, from 1996 until 1998. As Director General of ASEAN Division, he actively participated in the organisation of the 30th ASEAN Ministerial Meeting held in Kuala Lumpur as well as the ASEAN Heads of Summit and the 10+3 Summit Meetings in Malaysia.

In 1998, Dato' Abdul Majit was appointed as the Ambassador of Malaysia to the People's Republic of China until his retirement on 2 January 2005.

Currently, he is a Director of OSK Investment Bank Berhad, Hong Leong Islamic Bank Berhad, HLG Unit Trust Berhad and Zecon Berhad.

Dato' Abdul Majit does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Abdul Majit attended seven (7) out of eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.

FOO SAN KAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Foo San Kan, aged 61, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

Mr. Foo was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practicing accountant. He has 34 years of experience in the accounting profession, the first 4 years in the U.K. and the other 30 years were spent in various positions in Ernst & Young offices in East and West Malaysia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a member of the Malaysian Institute of Certified Public Accountants, a Fellow of the Institute of Chartered Accountants in England and Wales as well as the Chartered Tax Institute of Malaysia.

Mr. Foo is a Director of OSK Investment Bank Berhad, OSK Ventures International Berhad, Symphony House Berhad, Allianz Malaysia Berhad, Allianz Life Insurance Malaysia Berhad, Allianz General Insurance Company (Malaysia) Berhad, SEG International Berhad, OSK Trustees Berhad and Star Publications (Malaysia) Berhad.

Mr. Foo does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on page 51 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Foo attended all the eight (8) Board Meetings of the Company held during the financial year ended 31 December 2009.



CHAIRMAN'S STATEMENT

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

CHAIRMAN'S STATEMENT

The year 2009 began with a gloomy market environment and deteriorating prospects. Global growth for 2009 was forecasted at 2.2% by the International Monetary Fund as compared to a 3.8% growth in 2008. The Asian and developing countries economies were slowing down significantly. Malaysia's economy was expected to contract between 4% and 6% in 2009, which was revised after the earlier estimate of 1% contraction. Further, the regional equity and capital markets activities were expected to be subdued, particularly in the 1st half with a slight possibility of market recovery in the 2nd half of 2009. While the Malaysian banking system was expected to remain stable, loan growth was expected to moderate due to banks' emphasis on prudent risk management. Also, weaker credit demand was envisaged due to poor business confidence, which would result in reduced investments and scaled-down expansions by businesses across the country.

With these negative indicators, we were expecting a very challenging year for the Group, more challenging than 2008. However, 2009 turned out to be better than we expected. The concerted efforts and prompt actions by the central banks in the developed countries prevented a collapse of the global economy. The unprecedented stimulus packages coupled with a low interest rates regime ensured ample liquidity, which buoyed the capital market. The equity markets started to pick up in the 2nd quarter, followed by increased capital markets activities in the 2nd half of 2009. The regional equity markets performed well in 2009. The KLCI gained 45% in 2009, whereas Indonesia, Singapore and Hong Kong's stock exchanges gained 87%, 65% and 52% respectively. Malaysia's unprecedented stimulus package of RM67 billion provided the catalyst for economic recovery in 2009. The country's Gross Domestic Product contracted by only 1.7% for 2009, better than the earlier estimation.

Despite the relatively challenging market environment in 2009, the Group performed reasonably well with another profitable year. We are beginning to realise the efforts of the past few years, where the management implemented strategies to ensure sustainable and profitable growth. The Group continues to be progressive despite the challenges and will continue to enhance our capability and competitiveness in the marketplace. The Group continues to grow in many aspects; in terms of market coverage, products and services, human capital and skills set, financial strength as well as network infrastructure.

Financial Performance

In 2009, the Group's revenue increased from RM812.2 million to RM820.4 million and the Group's pre-tax profit rose by RM22.8 million, representing approximately 14% growth, from RM168.2 million in 2008 to RM191.0 million in 2009. The 2009 results have factored in an additional general allowance for bad and doubtful debts on share margin financing amounting to RM6.4 million pursuant to the new requirements under the revised BNM/GP3. The Group achieved profit after tax (before minority interests) of RM137.1 million in 2009.

The Group recorded profit after tax (after minority interests) of RM112.6 million for the financial year ended 31 December 2009, which translated to earnings per share of 17.35 sen, down 16% from 20.77 sen in 2008. Excluding profit contribution from OSK Property Holdings Berhad group of companies (RM10.5 million) and the one-off write back of provision for legal and interest cost (RM59.2 million) in 2008, the Group would otherwise registered a PATMI growth of 63%.

The Group's net assets position declined to RM1.97 per share as at 31 December 2009, down 8% from RM2.13 per share a year ago. This is attributable to the distribution-in-specie of OSK Ventures International Berhad shares owned by OSK Holdings Berhad to shareholders, which was completed on 28 August 2009.

The equities and futures segment retained its lead for the year under review as the major profit contributor to the Group, contributing RM73.5 million or 38% of the Group's pre-tax profit. The equities and futures segment also produced an impressive growth of 23%, which is reflected in the increase in OSK Investment Bank Berhad's rank among the Malaysian brokers. Our Singapore subsidiary, DMG & Partners Securities Pte Ltd, achieved an equity market share of 7.64% in 2009 as compared to 6.92% in 2008.

The investment banking segment has narrowed the gap between the top two contributing segments with an equal percentage contribution of 38%. The strong performance of the investment banking segment, which saw a 42% increase in pre-tax profit from RM51.5 million to RM72.9 million, is the result of the Group's emphasis in aggressively expanding its investment banking arm not just in Malaysia but throughout its regional subsidiaries. Furthermore, OSK's newly set up Islamic banking operations recorded a profit of RM5.5 million for the year, which represents a 4-fold increase from RM1.4 million recorded in 2008.

The Group's loans and financing segment came in third, followed by the fund management and properties segments. The lower contribution from the properties segment arises from the distribution of its shareholdings in OSK Property Holdings Berhad, which was completed on 30 September 2008.

OSK Group's overseas operations contributed 25% of total pre-tax profit in 2009 compared to the previous 9% in 2008, with a significant portion derived from its Singapore operations. The Group's operations in Hong Kong broke even this year, a recovery from the RM11.6 million losses incurred in 2008. The Indonesian operations recorded a loss before tax of RM1.1 million due to additional costs incurred to set up new branches and a funding cost allocation to that segment. Excluding the funding cost allocation, it would otherwise record a profit before tax of RM4.2 million. Cambodia recorded a marginal loss of RM1.8 million in 2009 due to additional costs incurred on opening of new branches in the country.

The Group's performance in 2009 reflects a good mix and balance in terms of revenue and profit contributions from various business segments. I believe that the Group is well-positioned for sustainable and profitable growth in coming years.

Review of Operations

In 2009, the Group recorded several notable achievements. OSK Investment Bank Berhad in Malaysia was ranked 1st in volume and 3rd in value for Initial Public Offerings in the country. Our 51%-owned subsidiary, DMG & Partners Securities Pte Ltd was ranked 1st in volume and 7th in value for underwriting deals in Singapore. This achievement is a significant milestone for the Group as we endeavour to strengthen our position as the leading small and mid cap investment bank in the region. Our investment banking activities in Indonesia and Hong Kong are also growing to complement our strength in Malaysia and Singapore.

The Group's treasury business in Malaysia has been proactive in expanding its product range and market reach, while keeping risk exposure under control. We have grown our deposit base significantly from RM2.8 billion as at 31 December 2008 to RM4.6 billion as at 31 December 2009. The Group is continuing to be competitive in the marketplace with lower cost of funds, resulting in our financing and treasury activities becoming more feasible. Our treasury team has also started the foreign exchange business, mainly to support the growth of foreign shares trading by our customers. We will eventually expand the business to service other segments, including our corporate clients that have currency exchange requirements.

The Group also achieved commendable rankings for the equities and futures business. For equities, the Malaysian business was ranked 1st in volume and 4th in value. We managed to retain our top position in volume at 11.29% and improved our ranking in value from 7th in 2008 to 4th in 2009 with a market share of 7.12% as compared to 5.43% in the previous year. In the futures trading business, we continue to be one of the market leaders in Malaysia with 3rd and 2nd ranking for FKLI and FCPO respectively.

In Singapore, we continue to grow our equities business, attaining 7.64% market share in 2009 with a rank of 2nd amongst 23 brokers. Our top performing month in 2009 was in the month of September with a market share of 10.03%, breaking into the 2nd position for the first time. In 2010, we finally managed to secure the top position for the first time in Singapore with a market share of 11.70% in the month of February. This milestone achievement should set the pace for our future growth in the equities business in Singapore.

Our equities business in Indonesia has also grown significantly over the last year from 0.28% in January 2009 to 1.73% in November 2009. In Indonesia, our equities business was ranked 37th amongst 123 brokers with an overall market share of 1.09% in 2009. We recorded our highest monthly performance so far in February 2010 with a market share of 2.2%. This is a commendable achievement considering the fact that this is a relatively new market for the Group and we have only started to build our branch network, research and institutional sales team in the 2nd half of 2009. In 2009, we opened three new branches in Kepala Gading (Jakarta), Bandung and Surabaya, while we added another four new branches between January and March 2010, namely in Medan, Wisma Slipi (Jakarta), Malang and Kedaton (Bandung). We presently have a total of nine branches in Indonesia with the plan to open four more new branches for the remainder of 2010.

In Hong Kong, we have maintained our market position in the equities business. In the futures trading business, we continue to command a commendable position with a market share of 4.41% for HSI Futures, which ranked us 5th in Hong Kong. In March 2009, our Hong Kong subsidiary added a new branch in Quarry Bay to complement its business at the Head Office in Central and the branch in Mongkok. Our subsidiary in Shanghai is currently in the process of setting up a branch in Shenzhen, China.

Our commercial banking business in Cambodia is progressing well. In 2009 we opened four new branches in Phnom Penh, namely City Mall Olympic branch (September), Stoeung Meanchey branch (September), Kbal Thnal branch (December) and Pet Lok Song branch (December). The bank is planning to add four more new branches in 2010. The bank has already recorded its maiden monthly profit and is expected to be profitable in 2010, which is only the second full year of business. The Group is also trying to secure a securities licence in Cambodia to participate in its stock exchange, which is expected to be introduced in the later part of 2010.

CHAIRMAN'S STATEMENT

The Group's fund management business is led by our 70%-owned subsidiary, OSK-UOB Unit Trust Management Berhad. Our unit trust business presently distributes 44 funds in Malaysia, of which 11 were launched in 2009. It continues to gain market share, whereby the total asset under management increased to RM5.4 billion as at 31 December 2009 as compared to RM3.0 billion a year ago. Further, OSK-UOB Unit Trust Management Berhad's ranking improved from 7th position in 2008 to 4th in 2009. At present, including third party funds, the Group manages a total fund size of over RM6.7 billion.

Overall, the Group performed well in 2009 given the challenging circumstances. There are many signs of progress, which we should all be proud of. The challenging and uncertain market conditions did not deter us from implementing our strategies to achieve our vision to become an outstanding investment banking and financial services group in the region. We will continue to seek opportunities to be more competitive in the marketplace and to serve our customers better.

Corporate Developments

On the corporate front, the Group initiated two significant exercises in 2009, namely the distribution-in-specie of OSK Ventures International Berhad shares owned by OSK Holdings Berhad to shareholders and the bonus issue of one new share for every four shares held. The distribution-in-specie of 98.33 million shares in OSK Ventures International Berhad, a 67%-owned subsidiary of OSK Holdings Berhad, was completed on 28 August 2009. The shareholders of OSK Holdings Berhad were rewarded with the distribution of OSK Ventures International Berhad's shares at an entitlement ratio of 5 shares for every 33 shares held. With the completion of the distribution-in-specie, OSK Ventures International Berhad has ceased to be a subsidiary of the Group. The bonus issue announced in December 2009 was completed on 26 January 2010 with the issuance of 164.67 million new shares to the shareholders of OSK Holdings Berhad.

In 2009, the Group completed several internal restructuring exercises to streamline its asset management business. In March 2009, OSK Holdings Berhad transferred its 30% equity interest in UOB-OSK Asset Management Sdn Bhd to its wholly-owned subsidiary, OSK Investment Bank Berhad. Similarly, OSK Holdings Berhad's 100% equity interest in OSK International Asset Management Sdn Bhd was also transferred to OSK Investment Bank Berhad in July 2009. The internal restructuring of these two companies was aimed at streamlining the asset management business into the investment banking group.

In order to further strengthen the fund management business, the Group plans to make its foray into Islamic fund management. In November 2009, OSK-UOB Islamic Fund Management Berhad was incorporated to carry out the Islamic fund management business. The new company was incorporated as a joint venture between OSK-UOB Unit Trust Management Berhad and UOB Asset Management Limited from Singapore, with a shareholding of 70% and 30% respectively. In March 2010, an application for the Islamic fund management licence was submitted to the Securities Commission for their consideration and approval.

The Group also took the opportunity to streamline its corporate structure by initiating the merger of the nominee companies and the liquidation of dormant entities. The present six nominee companies are in the process of being merged into two companies; one for resident customers and the other for non-resident customers. The merger of these companies will enhance the operational efficiency as well as improve cost effectiveness. The merger exercise is expected to be completed by June 2010. The Group is also in the process of liquidating its dormant companies, namely Beneficial Services Berhad (formerly known as UOB Trustees Berhad), K.E. Malaysian Capital Partners Sdn Bhd, KPEN Sdn Bhd and OSK Wealth Planners Sdn Bhd. The liquidation of these four companies is targeted to complete by the 3rd quarter of 2010.

OSK Indochina Bank Limited commenced commercial banking business in Cambodia in October 2008 with an initial capital of USD13 million. In 2009, the minimum capital for commercial banks in Cambodia was increased from KHR50 billion (USD12 million) to KHR150 billion (USD36 million), which must be complied with by the end of 2010. In compliance with the requirement by the end of 2010, OSK Indochina Bank Limited's share capital was increased to USD25.25 million in May 2009. And in February 2010, a sum of USD12.25 million was remitted to increase the bank's capital to USD37.5 million to meet the minimum capital requirement set by the country's central bank, National Bank of Cambodia.

Prospects for 2010

The year 2010 is expected to present many opportunities and we look forward to another exciting year. With the increased capital market activities coupled with the coordinated financial stimulus packages implemented by major central banks and the solid support from the Malaysian government towards promoting financial stability, the Malaysian and Asian economies are on its path to recovery which will bode well for the Group and the economy as a whole.

While we expect 2010 to be a better year as compared to 2009, we are mindful of the continued challenges and potential pitfalls ahead. Despite the challenging circumstances, the Group continues to be fundamentally strong with healthy financials and we will continuously enhance our competitiveness moving forward.

Similar to 2009, the Group's main focus for 2010 is to build on our existing regional network in Singapore, Hong Kong, Shanghai, Indonesia and Cambodia. Our key emphasis for the year will be the continuation of the integration of our operations in the region, especially in Indonesia and Cambodia. The Group will also continue to build on our expertise and knowledge in the small and mid cap markets to strengthen our niche position in the region. Further, we will continue to invest aggressively in human capital, both by developing our existing people and by recruiting new talents from various backgrounds with new expertise and experience to join the Group.

In view of the continued uncertainty, the Group will continue to practise prudent risk management and implement good business strategies to meet the challenges ahead. While cautiously optimistic, the Board of Directors is confident that the Group will perform better in 2010. We look forward to the year 2010 with high enthusiasm and we hope that it will bring greater opportunities for growth and success to the Group.

Dividends

For the financial year 2009, the Group has paid an interim dividend of 2.5 sen per share less 25% income tax on 14 October 2009. The Board of Directors is recommending a final dividend of 5.0 sen per share less 25% income tax for the financial year ended 31 December 2009, bringing the total dividend declared for the year to 7.5 sen per share less income tax. The final dividend is subject to shareholders' approval at this Annual General Meeting.

Acknowledgement

On behalf of the Board of Directors, I wish to extend my heartfelt appreciation to you, our shareholders as well as to our valued customers and business partners, all of whom have contributed in one way or another to the Group's achievements. I cannot express deeply enough my personal thanks to each of our management personnel and employees for their dedication, contributions and untiring commitment to ensure the continued growth and success of the Group. I strongly believe that our continued commitment and hard work will take us to greater heights in the coming years. I look forward to working with all the stakeholders as we continue to build a stronger OSK in the future.

Last but not least, my sincere gratitude to Bank Negara Malaysia, the Securities Commission, Bursa Malaysia Securities Berhad and all the relevant authorities for their continued guidance and advice.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Chairman

2009 ECONOMIC REVIEW

Deepest Global Downturn in Recent History

Overall, the world economy fell by nearly 1% in 2009, effectively the “deepest global downturn in recent history”, according to the recent IMF update. However, the world economy, according to the IMF, nudged into positive territory in the middle of 2009. Economic growth in the advanced economies improved steadily in the second-half of 2009 as emerging market economies experienced a bumpier ride, especially towards the end of the year. The advanced economies contracted by slightly more than 3% on average in 2009, while emerging market economies eked-out positive growth of roughly 2%.

Malaysia, just like most other Asian countries, was not spared by the most severe global recession since World War II. Following the global and economic crisis, Malaysia experienced contraction in its Gross Domestic Product (GDP) for the first 3 quarters of 2009 with the Government aggressively implementing various expansionary fiscal policies such as the Second Stimulus Package worth a total of RM67bn to revive economic growth. Aside from the fiscal expansionary policy, the Government reduced the Overnight Policy Rate (OPR) by 150 basis points between November '08 to February '09. The OPR rate of 2.00% was maintained throughout 2009, as the government realised the necessity in keeping the interest rate at record low levels to stimulate investment and boost liquidity in the financial system. Efforts were also made under the leadership of PM Datuk Seri Najib Tun Razak to enhance Malaysia's attractiveness as a destination for foreign investment and inculcate a performance-based culture. These included the liberalisation of subsectors within the services sector such as the financial sector as well as the launch of the National Key Results Areas.

Figure 1: GDP by Sector and Expenditure Component (2000 prices)

Components	'08a	09a	1Q09	2Q09	3Q09	4Q09	2010 Forecast
GDP	4.6	-1.7	-6.2	-3.9	-1.2	4.5	5.8
Agriculture	4.0	0.4	-4.3	0.3	-0.5	6.0	4.8
Mining	-0.8	-3.8	-5.2	-3.6	-3.5	-2.8	0.4
Manufacturing	1.3	-9.3	-17.9	-14.5	-8.6	5.3	8.9
Construction	2.1	5.7	1.1	4.5	7.9	9.2	1.3
Services	7.2	2.6	-0.2	1.6	3.4	5.1	5.5
Private consumption	8.5	0.8	-0.7	0.5	1.5	1.7	5.0
Public consumption	10.9	3.7	2.1	1.0	10.9	1.3	0.0
Gross fixed capital formation	0.8	-5.5	-10.8	-9.6	-7.9	8.2	5.5
Exports of goods and services	1.3	-10.1	-15.2	-17.3	-13.4	7.3	10.8
Imports of goods and services	1.9	-12.5	-23.5	-19.7	-12.9	6.9	11.7
Consumer price index	5.4	0.6	3.7	1.3	-2.3	-0.2	3.0
Unemployment rate	3.3	n.a	4.0	3.6	3.6	3.5	3.4

Source: MOF and OSK Group

As the implementation of Government spending got underway in 2009, the construction sector was the main beneficiary with an expansion of 5.7% followed by the services sector at 2.6% and agriculture at 0.4%. The main drag in the GDP were manufacturing (-9.3%) and mining (-3.8%) sectors as lower levels of domestic and global demand hampered production output. On the demand side, the contraction in GDP was mainly led by lower export levels as rising unemployment globally dampened spending and slowed down demand for goods and services in 1H09. However, towards year end, export levels gained momentum on the back of a global trade rebound and registered a total trade surplus of RM118.4bn for FY09. Although 4QGDP rebounded strongly by 4.5%, that was still insufficient to undo the contraction in the first 9 months of the year and Malaysia still recorded a contraction in GDP by 1.7% for 2009, the first contraction in over a decade.

Gross fixed capital formation also declined by 6.5% in the first 9 months of 2009 as low levels of demand stifled investment. Through the implementation of stimulus packages and better consumer sentiment, GDP rebounded in 4Q09, mainly supported by both public (+3.7%) and private consumption (+0.8%). The labour market continued to be sluggish as the unemployment rate deteriorated from 3.3% in FY08 to 3.6% in 3Q09.

Despite the volatility in the global financial system, there were no signs of deterioration in asset quality with net non-performing loans at 1.8% and average loan loss coverage ratio still above 90%. The banking system's capitalisation remained healthy, with the risk weighted capital and core capital ratio at 14.7% and 13.1% respectively in December'09. Meanwhile, Malaysia's international reserves declined by RM90.5bn to RM320.4bn in April 2009 from a record high of RM410.8bn in June'08 largely driven by de-leveraging activities by foreign investors and growing presence of Malaysian companies abroad. Our foreign reserves have subsequently recovered slightly and as at 15th January 2010, international reserves stood at RM331.4bn which is sufficient to finance 9.5 months of retained profits and 4.1 times of short-term external debt and deal with the volatility in capital flows.

Signs of deflation were apparent in June'09 after the large petrol price upward adjustment in June '08 and weak consumer sentiment continued to dampen prices for the rest of 2009. Towards December'09, inflation rebounded by 1.1% as the higher petrol price base effect started to normalise and 2009 inflation inched up higher at 0.6%.

2010 ECONOMIC OUTLOOK

On a Path to Gradual Recovery

Recently, incoming indicators suggest that the worst of the global downturn is behind us. The ongoing debate has essentially shifted from growing concerns over the length of the "Great Recession" previously to judging the contour of the economic recovery in 2010. The latest IMF outlook anticipates a faster recovery in the US and Canada than in Europe and Japan. The foregoing forecast is generally in-line with our view that the US economy could register around 3.00% growth on balance in 2010, with the second-half possibly better than the first six months. Against this backdrop, our outlook expects the Federal Reserve to begin normalising the target policy rate towards the tail-end of 2010.

Some of the key hurdles and developments in 2010 include the state of the financial regulatory and supervisory framework globally, sovereign risk profiles of both developing and advanced economies, and communication challenges associated with the policy (mainly monetary) normalisation process.

Back home in Malaysia, due to the successful implementation of both fiscal and monetary policies coupled with the improving external environment, the economy has shown further signs of strengthening. As more mega projects are expected to be unveiled in the upcoming 10th Malaysian Plan (10MP), which will be tabled on 10th June 2010, we expect fiscal policy to filter into the economy. This in turn would lead to growth in all sectors, namely agriculture, mining, manufacturing, construction and the services industry. The recovery in disposable income should also translate into continued gains in private consumption in 2010.

In addition, the noticeable contraction in exports in 2009 should lay the groundwork for a respectable rebound this year. Going forward, we believe Malaysia would be more dependent on intra-regional trade to boost its exports especially after the recent AFTA agreement beginning January 2010. On the whole, we forecast the Malaysian economy to expand by an estimated 5.80% in 2010.

As domestic demand picks up, the Government is expected to tackle the sizeable fiscal deficit issue. And partly as a result of additional subsidy reductions, we see inflation coming in at 3.00% on average in 2010. Recently, the Monetary Policy Committee of Bank Negara in view of the brighter growth prospects in the near-term and continued concerns on financial imbalances decided to normalise policy by raising the Overnight Policy Rate (OPR) to 2.25% at the 4 March 2010 meeting. Our policy forecast anticipates Bank Negara Malaysia to nudge the benchmark rate toward 3.00% by the second-half of 2010 as the economy continues on its recovery path.

We are maintaining our stance that the Ringgit could strengthen against the greenback in subsequent quarters as Bank Negara Malaysia normalises monetary conditions further. With the implementation of AFTA to boost intra-regional trade, the Government's plan to cut the budget deficit and improving economic fundamentals both domestically and regionally, we believe the Ringgit could hover between 3.30 and 3.35 against the greenback for most of 2010.

2009 STOCK MARKET REVIEW

A Strong Rebound

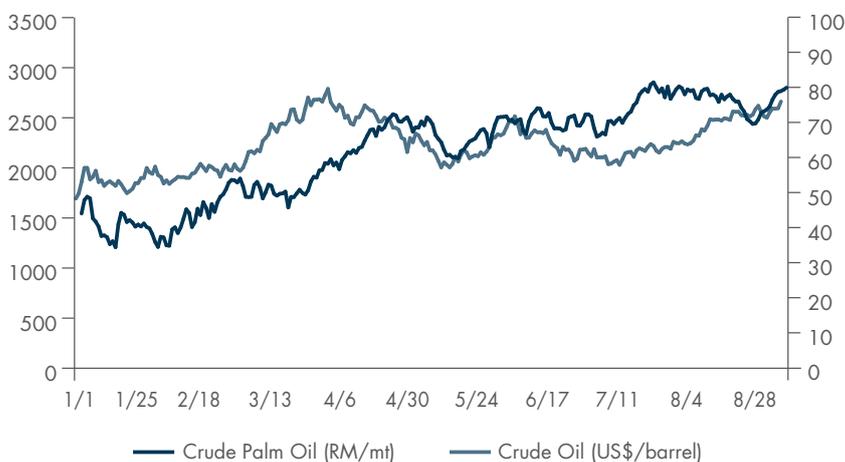
The KLCI started 2009 with trepidation given that the global 'Great Recession' was still in full force. Despite the optimism surrounding the swearing in of a new US President, the massive fraud case surrounding India's Satyam Computer led to global market weakness. Cracks started in the Dubai dream which were reflected in cancelled contracts with local construction company, WCT, while Maybank announced a rights issue which resulted in its shares being sold down. The KLCI reached a low point of 838.39 pts in mid March but then rebounded to close off the 1Q09 only some 4 points lower than at the start at 872.55 pts. On the political front, the slew of 8 by-elections started off with the Barisan Nasional losing the Kuala Terengganu by-election.

Table 1 : KLCI Performance 2009



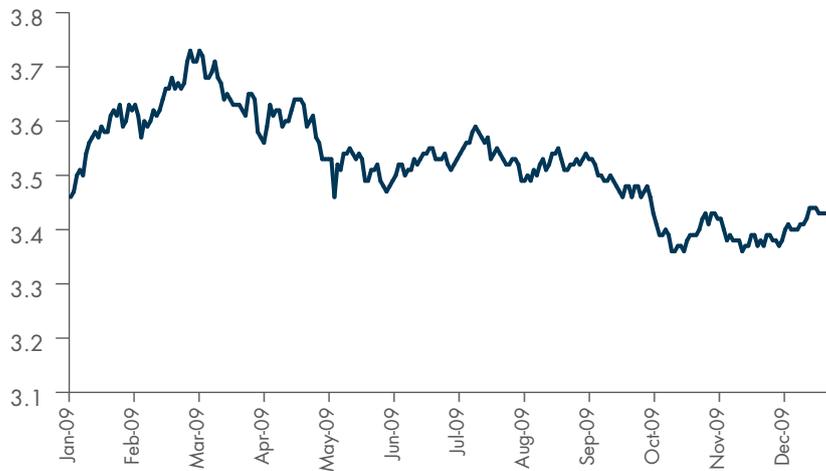
The second quarter was a completely different kettle of fish as global markets rebounded off their lows on news that the US Treasury would buy toxic assets from banks and the US and UK Government going ahead to pump in liquidity in the system via quantitative easing. This rally was further spurred by US bank results reported in April that exceeded expectations. On the local front, the inauguration of Malaysia's 6th Prime Minister and the swearing in of his cabinet provided the impetus to spur the market ahead in April and May. Government efforts to attract foreign interest via the liberalisation of the bumiputera equity condition on 27 subsectors within the services sector was also viewed positively by the market. Relationships with our strategic partners overseas also warmed up in 2Q with visits by the new PM to Singapore and China which resulted in 16 MOUs signed between Malaysian and Chinese companies in China. Only the declaration by the World Health Organisation (WHO) of an influenza A/H1N1 pandemic took the wind out of the market's sails towards quarter end but with governments worldwide committed to keeping liquidity flush, the KLCI quickly rebounded to close 2Q09 at 1075.24 pts, up 202.69 pts during the quarter. It was also in the 2Q that commodities such as oil and Crude Palm Oil (CPO) found solid footing with oil reaching the USD70 per barrel level from below USD35 per barrel in 1Q09 and CPO touching RM2600 per tonne from below RM2000 in 1Q09.

Table 2 : Crude Palm Oil and Crude Oil futures 2009



The third quarter of 2009 again saw markets rallying as US banks were upgraded on expectations of strong earnings. When the US banks indeed delivered on earnings expectations, the US stock market rallied, thus lifting up global equities. In Malaysia, the newsflow was no less intense with confirmation of telecom company Maxis' relisting on the local bourse and the Federal Government setting up the 1 Malaysia Development Fund. The Government also revealed its long term strategies for the country via 6 National Key Results Areas (NKRAs). Markets rallied again towards the end of the 3rd quarter as the G20 meeting of Finance Ministers endorsed the International Monetary Fund's (IMF) action to continue providing liquidity via the allocation of Special Drawing Rights. This also weakened the US Dollar which further spurred the rise in commodity prices. Another interesting development in the 3Q was also the re-emergence of several Mega Projects such as the Trans Peninsular Pipeline, the consolidation of all toll roads in Peninsular Malaysia and the bridge between Melaka and Sumatra. All these Mega Projects remained as proposals with none getting off the drawing board. All in all, the market rose 126.84 pts or 11.8% in the 3Q. As for the Ringgit, it weakened to RM3.73 to the USD in March but strengthened towards year end to RM3.37.

Table 3 : Ringgit performance vis-à-vis USD in 2009



The pace of gain slowed down markedly in the 4Q even as the Dow Jones Industrial Average broke above the 10,000 pts level as investors digested the fact that markets were looking increasingly expensive. With Australia being the first OECD country to raise its interest rates in October, there came a realisation that flush liquidity in global markets could not continue forever. The KLCI only gained 70.7 pts in the 4Q with gains in December being particularly thin at 6 pts. CPO prices however, rallied over 25% to touch RM2600 per tonne in the 4Q. The 2010 budget unveiled in October was viewed as favouring the middle class Malaysian as tax cuts and additional tax reliefs were given to the 1 million or so middle class tax payers in Malaysia. Nonetheless, the Government revealed its commitment to continue paring down subsidies and introduce the Goods and Service Tax (GST) in coming years. The year ended on somewhat of a sour note for global equities as the success story that had been Dubai's property bubble finally burst with fears of a Dubai default put at ease only with Abu Dhabi stepping in to sooth concerns.

The KLCI closed the final year of trading on Dec 31 at 1272.78 pts, up 45.2% from the start of the year. Nevertheless, despite the strong run, the KLCI was the second worst performer among East Asian markets, only outperforming Japan's Nikkei which rose only 19.0%. The Jakarta Composite Index was the best performer for 2009 with an 87.0% gain as President Susilo Bambang Yudhoyono was re-elected with a stronger mandate followed by the Shanghai Composite Index which rose 80.0%. The Taiwan's stock exchange too rose some 75.2% on better relations with China while Singapore's Straits Times Index rose 64.5%.

2009 STOCK MARKET REVIEW

2010 Market Prospects

Volatility Ahead

2010 started off on a good note with the KLCI rising to a high of 1308.36 pts in mid January. Small caps in particular such as the rubber glove counters put in an excellent performance and soundly beat bigger cap stocks. However, fears of an early tightening of liquidity were raised when China raised its reserve requirements for banks and put a cap to new lending for 2010. These fears were made worse by soaring budget deficits in Greece, Spain and Portugal which raised the credit risk of these European Union countries. Profit taking led markets down worldwide with the KLCI dropping below the 1250 pts level before a rebound in early March that led the market back above the 1300 pts level. We foresee continued volatility in upcoming months as bulls battle with the bears over fears of liquidity tightening and optimism on economic growth. While the New Economic Model is to be unveiled in end March and the 10 Malaysia Plan in June, we believe the KLCI will continue to take its cue from the US and its regional peers. Unless there is a sharp rebound in those markets, the KLCI may remain lacklustre for the majority of the year before staging a rally towards end 2010 ahead of better prospects in 2011. With most investors still sitting on paper profits from 2009, this volatile period could continue as profit taking will remain until the market is convinced that economic growth has caught up with valuations.

MILESTONES AND EVENTS 2009

- March**
- OSK Holdings Hong Kong Limited new branch opening**
OSK Holdings Hong Kong (OSKHKK) established a new branch at Quarry Bay on 20 March 2009 which offers securities and futures trading.
- Launch of Energy Fund**
OSK-UOB Unit Trust Management launched its Energy Fund, on 23 March 2009, to capitalise on existing opportunities in the global energy sector which aims to achieve medium to long term capital appreciation through an investment that is linked to the global energy sector.
- Launch of Top Malaysian Small Cap Companies : 50 Jewels Book**
In conjunction with the launching of the Top Malaysian Small Cap Companies: 50 Jewels Book, OSK Research held a corporate presentation to showcase the top 5 companies selected in the publication namely KPJ Healthcare, Kossan Rubber Industries, QL Resources, Wah Seong Corporation and Hektar REIT.
- OSK Holdings Berhad transferred 30% of its Equity Interest in UOB-OSK Asset Management Sdn Bhd to OSK Investment Bank Berhad**
OSK Holdings Berhad (OSKH) transferred 30% of its Equity Interest in UOB-OSK Asset Management Sdn Bhd, comprising 1,200,000 ordinary shares to OSK Investment Bank Berhad (OSKIB) and following this, UOB-OSK Asset Management Sdn. Bhd. is now an associated company of OSKIB and an indirect associated company of OSKH.
- July**
- Launch of Gold and General Fund**
OSK-UOB Unit Trust Management launched its Gold and General Fund, on 20 July 2009, which is aimed to achieve returns in investment mainly in securities of corporations whose business is largely from the mining or extraction of gold, silver or precious metals.
- OSK-UOB Asian Growth Opportunities Fund ranked 2nd best performing fund by Lipper Hindsight.**
OSK-UOB Unit Trust Management's Asian Growth Opportunities Fund ranked the 2nd best performing fund out of 568 funds covered by the Lipper Hindsight for the first half of 2009.
- PT OSK Nusadana branch opening**
PT OSK Nusadana Securities Indonesia had commenced business for its new Kepala Gading, Surabaya and Bandung branches on 27 July 2009, 20 August 2009 and 15 September 2009 respectively.
- OSK Holdings Berhad transferred 100% Equity Interest in OSK International Asset Management Sdn. Bhd. to OSK Investment Bank Berhad**
OSK Holdings Berhad (OSKH) transferred 100% of its Equity Interest in OSK International Asset Management Sdn. Bhd. (OSKIAM), comprising 4,500,000 ordinary shares to OSK Investment Bank Berhad (OSKIB) in July 2009 and following the completion of the transfer, OSKIAM is a directly wholly-owned subsidiary of OSKIB.
- August**
- Launch of Multi Currency Settlement Facility**
OSK Investment Bank launched the Multi Currency Settlement Facility which enables foreign share trading (cross border trades) settlement in foreign currencies.
- Distribution-in-species of up to 98,673,670 shares in OSK Ventures International Berhad to OSK Holdings Berhad Shareholders**
OSK Holdings Berhad (OSKH) completed the distribution-in-species of up to 98,673,670 ordinary shares in OSK Ventures International Berhad (OSKVI) and following the completion of the distribution, OSKVI ceased to be a subsidiary of OSKH on 28 August 2009.
- September**
- Launch of Stock Options Trading Services at OSK Securities Hong Kong**
OSK Securities Hong Kong Limited (OSKSHK) launched its Stock Options trading services to clients on 1 September 2009.

MILESTONES AND EVENTS 2009

September **Launch of Capital Protected China A-Share Fund**

OSK-UOB Unit Trust Management launched its Capital Protected China A-Share Fund, on 10 September 2009, which allows Malaysian investors to participate and invest in the China A-Share market which consists of Chinese companies that are listed on mainland China Stock Exchange. This market is normally limited to Chinese nationals only but has recently been made available to a few selected qualified foreign institutional investors.

Launch of Global Stimulus Fund

OSK-UOB Unit Trust Management launched the Global Stimulus Fund, on 15 September 2009, in response to the introduction of large fiscal stimulus packages, by Governments around the world, amounting to billions of dollars to stem the consequences of the financial crisis that had affected the global economy in the fourth quarter of 2008.

November **Incorporation of OSK-UOB Islamic Fund Management Berhad**

OSK-UOB Islamic Fund Management Berhad was incorporated to carry out Islamic fund management business. This is a joint venture between OSK-UOB Unit Trust Management Berhad and UOB Asset Management Limited from Singapore with a shareholding of 70% and 30% respectively.

December **OSK Indochina Bank Limited new Branch Opening**

In conjunction with the 1 year anniversary celebration of OSK Indochina Bank Limited, the bank had also officiated four new branches at City Mall Olympic, Stoeung Meanchey, Kbal Thnal and Pet Lok Song. The new banking licences were received from the Deputy Governor of National Bank of Cambodia on 1 December 2009.

Launch of ASEAN Fund

OSK-UOB Unit Trust Management launched its ASEAN Fund, on 1 December 2009, which focuses on providing investors with medium to long term capital appreciation through investments in equities and equity-linked securities whose businesses are in the Southeast Asian region with economic growth prospects, strong corporate earnings and easing inflationary trends.

OSK Investment Bank ranked No. 1 for number of Deals in Bloomberg Underwriter League Tables

OSK Investment Bank Berhad (OSKIB) ranked No.1 for number of IPO deals and No.2 for value of deals for Malaysia Domestic Equity Offerings in Bloomberg Underwriter League Tables 2009. OSKIB underwrote 3 deals worth RM112 million.

DMG & Partners ranked No. 1 for number of IPO deals in the SGX Equity Offerings

OSK Investment Bank's (OSKIB) subsidiary DMG & Partners Securities Pte Ltd (DMG) ranked No.1 for number of IPO deals and No. 4 for value of deals in the SGX Equity Offerings by Bloomberg Underwriter League Table 2009. DMG underwrote 5 deals worth USD20 million.

OSK Research won 7 awards in StarMine Analyst Awards 2010

OSK Research, the Malaysian research team won 7 awards based on the year 2009 in the 2010 StarMine Analyst Awards. The awards include:-

- Top 2 Best Analyst for 2009
- Top 5 Best Analyst for 2009
- Best stock picker for Healthcare Sector
- Best stock picker for Consumer Products Sector
- Top 2 stock picker for Engineering & Construction Sector
- Top 3 stock picker for Technology Sector
- Top 3 stock picker for Energy Sector

OSK Investment Bank ranked Top 8 for M & A deals by volume in Southeast Asia by Mergermarket Group

OSK Investment Bank was ranked 8th place for M&A deals by volume in 2009 according to Mergermarket Group for the League Tables of Financial Advisers of Southeast Asian region.

OSK- UOB won Best Fund over 5 years at Lipper Malaysia Fund Awards

OSK-UOB Unit Trust Management's Smart Balanced Fund won the "Best Fund over 5 years" under Mixed Asset MYR Balanced at the Lipper Malaysia Fund Awards 2010.

CORPORATE SOCIAL RESPONSIBILITY

As a leading financial group with a regional presence, the OSK Group recognises the importance of implementing and managing good Corporate Social Responsibility practices within the ambit of our overall business activities.

In undertaking CSR, the Group recognises the benefits that have accrued to its businesses including the strengthening of reputation and branding as well as enhancing employee motivation which in turn contribute to the long-term profitability, growth and sustainability of the business. This is reflected in the Group's commitment to promote better corporate governance, create business sustainability and enhance value for its shareholders and stakeholders by offering the best possible financial products and services to make it an integral part of the way the Group functions as a business. OSK also continues to make positive contributions to the community by supporting mutually beneficial causes through sponsorships and donations.

In mapping out future strategies, the Group strives to ensure that its business practices and decisions are in line with what is beneficial to the marketplace, workplace, the community, the environment and the Group.

CSR for the Marketplace

Corporate social responsibility in the marketplace reflects how well the Group conducts its business activities and is accountable for the impact of our practices and policies in the economic, social, and environmental realm. These allow the Group to deliver better outcomes, create value, as well as enhance its position.

Responsible Marketplace practices

The Group provides stakeholders with comprehensive information about business activities. Market sensitive data is disseminated to the stock exchange in a timely manner and simultaneously released to the market via print and electronic media and through our website. Copies of annual reports, quarterly reports, announcements and key information on products and services are regularly updated and posted on the website.

Business Sustainability

The Group advocates a culture of excellence, good governance, transparency, integrity and accountability within the marketplace. In its corporate responsibility to shareholders and external clients, the Group recognises the importance of business sustainability by having in place a business continuity plan (BCP) which specifies how critical business functions are to operate in the event of business disruption due to damage, natural disaster or calamities. The Group's BCP also specifies how such business functions can be swiftly restored.

CSR for the Workplace

OSK believes in the development of human capital. The OSK Group approach to employee development looks at how an employee contributes to the Group's success, and what the employee can potentially contribute in the future. To help employees acquire what they need to advance their careers, the Group develops employees' skills through training initiatives and contribute to their personal growth with innovative learning opportunities. Among the programmes offered for employees include the Continuing Professional Education (CPE) courses and other self-development courses. Employees are encouraged to spend at least 24 learning hours a year. By enhancing employees' skill sets, the Group is able to retain and prepare key talent to move into new and more challenging positions and also innovate more successfully and respond to market transitions more rapidly.



CORPORATE SOCIAL RESPONSIBILITY



Enhancement of Performance Management System

In its corporate responsibility to its employees, the Group embarked on a Balanced Scorecard (BSC) initiative to set clarity in the Group's direction and objectives. The BSC is a recognised and established management tool to effectively align consumer and employee values with corporate strategy to make the Group's values and visions a reality. The BSC also enables individuals to make decisions daily based upon values and metrics that can be designed to support the Group's corporate goals. In 2009, the foundation for the establishment of the Group performance management system was set with the implementation of the BSC. With the Group's Corporate scorecard established and Key Performance Indicators (KPIs) communicated, the Group's corporate KPIs have been cascaded to core businesses and structured training on BSC conducted for all staff in the business and corporate divisions across the region. The BSC training was conducted systematically over a six-month period to meet the scheduled rollout in January 2010.



Financial Sector Talent Enrichment Programme (FSTEP)

Since July 2008, OSK has participated in FSTEP, a joint initiative of Bank Negara Malaysia (BNM) and the financial industry to provide a pool of robust talent for the financial services sector. Under the FSTEP programme, internship opportunities are offered within various departments where FSTEP interns are able to gain hands-on experience in the banking and finance industry.

Operations Associate Programme

The Group launched a two-year Operations Associate (OA) programme aimed at recruiting, training, developing and retaining the best quality graduates for middle and back office operations. The first batch of nine operations associates commenced the programme on 16 December 2009. These associates undergo a series of courses including five technical courses which include Continuing Professional Education (CPE) and credit courses; six soft skills courses on developing customer service and personal and interpersonal effectiveness; and one self-paced course including one e-learning module by the Institute of Bankers Malaysia (IBBM).



Participation in Sports Activities

The Group actively participated in the Malaysian Investment Banking Association (MIBA) friendly games organised annually among 13 investment banks in the country. The OSK team participated in the Pool Tournament this year in the Veteran event category.

CSR for the Community

OSK believes in enhancing the public's understanding of investment and propagating investment knowledge and opportunities. The Group contributes to training and development of the community through its participation in investor related exhibitions such as the Malaysian Investor Relations Association (MIRA) Investor Expo and Islamic Capital Markets Conference.



Financial Seminar for Commercial Crime Investigation Department (CCID)

OSK offered its expertise in 'Understanding Stockbroking, Futures and Options', in a one day seminar held on 15 January 2009 which was organised by the Operations Department. The seminar was attended by senior law enforcement officials from the Commercial Crime Investigation Department (CCID) in Bukit Aman, Kuala Lumpur, Selangor, Negeri Sembilan, Melaka, Pahang and Johor.

Presentation & Dialogue with the Institute of Strategic Analysis & Policy Research (INSAP)

OSK organised a special presentation on the 'Malaysia Market Outlook 2009 and Economy Stimulus Package' on 12 March 2009 for the Institute of Strategic Analysis & Policy Research (INSAP).

Islamic Finance News Issuers & Investors Asia Forum 2009

OSK Investment Bank participated as an associate sponsor and panelist at the IFN Issuers and Investors Asia Forum 2009 which was held on 3-5 August at the Mandarin Oriental, Kuala Lumpur.

Contribution to Charities & Organisations

Mercy Malaysia Gaza Relief Fund

OSK held a month long campaign from 28 January to 27 February 2009 to raise funds for Mercy Malaysia's efforts to provide humanitarian assistance to the victims of the war in Gaza.

The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2009

OSK participated in the Edge Bursa Malaysia Kuala Lumpur Rat Race on 11 August 2009, sending in two teams comprising a total of 10 runners. The 2009 Rat Race brought together 67 local and foreign companies, making up a total of 74 teams and raised funds for 20 charitable organisations.

The Amber Initiative

OSK contributed towards The Amber Initiative (in association with NUS School of Business) on "The Zoe Project", a community service effort which took place from 2-5 October 2009 in Rifle Range Ayer Itam, the oldest low-cost housing area in the state of Penang.

Centre for Children & Teenagers with Disabilities (Pusat Kanak-Kanak & Remaja Kurang Upaya)

OSK distributed meal vouchers to single mothers who were invited for the Hari Raya Open House organised by PDK Selayang 11 October 2009. About 600 people from the less fortunate community attended the event.

Childrens' Hope Foundation (Yayasan Harapan Kanak-Kanak)

OSK contributed to the Childrens' Hope Foundation in conjunction with the publishing of a coffee table book on 15 October 2009 by Datin Paduka Seri Dr. Rosmah Mansor, in honour of her work and contribution towards the childrens' community. Proceeds of the book were channeled towards the Foundation's Childrens' Education Fund.

Orphanages & Old Folks' Homes

OSK distributed hampers to orphanages and old folks' homes in conjunction with Media Prima's Hari Raya open house held on 19 October 2009.

The Indonesian Red Cross (Palang Merah Indonesia/PMI)

OSK contributed to the Indonesian Red Cross (Palang Merah Indonesia/PMI) on 23 October 2009 to enable them to provide humanitarian assistance to victims of the devastating earthquakes which occurred off the coast of western Sumatra on 30 September 2009.

Hospis Malaysia

OSK contributed to Hospis Malaysia in conjunction with their annual gala dinner on 24 October 2009. Proceeds went towards the hospice's work of providing free palliative care and support to patients with life-threatening illnesses.

Tun Ismail Foundation (Yayasan Tun Ismail)

OSK contributed towards the Yayasan Tun Ismail Fund in conjunction with their fund raising dinner held on 27 October 2009. The funds went towards helping the foundation award scholarships to 61 students pursue higher learning at the University of Cambridge, University of Oxford and other universities of equivalent standard.

National Blood Centre (Pusat Darah Negara)

OSK organised a blood donation drive at the Principal Office, on 10 December 2009, in collaboration with the National Blood Centre. The blood donation drive was open to all staff as well as members of the public.

Heart Foundation of Malaysia (Yayasan Jantung Malaysia)

OSK organised a talk for staff on 14 December 2009 in collaboration with the Heart Foundation of Malaysia to raise awareness on cardiovascular diseases and cardiopulmonary resuscitation (CPR). OSK also contributed towards the foundation's continued efforts to educate and create community awareness on cardiovascular diseases and organ donation.

CSR for the Environment

OSK recognises the importance of using and conserving resources wisely. In the Group's daily operations, environment-friendly practices are encouraged. This includes the recycling of paper, utilising electronic communication and energy-saving practices for lighting and air-conditioning.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of OSK Holdings Berhad ("the Company") recognizes and subscribes to the importance of the principles and best practices set out in the Malaysian Code on Corporate Governance (Revised 2007) ("the Code") and Bank Negara Malaysia Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1). The Board remains committed in ensuring the highest standards of corporate governance in the Company and would strive to continuously improve on its governance process and structures towards enhancing long-term shareholder value.

The Board views the corporate governance as synonymous with four key concepts; namely transparency, integrity and accountability as well as corporate performance.

The Board is pleased to provide the following statement, which outlines the main corporate governance that has been in place throughout the financial year.

A. THE BOARD OF DIRECTORS ("BOARD")

a) Duties and Responsibilities of the Board

The Board is responsible for the stewardship of the business and affairs of the Company on behalf of the shareholders with a view of enhancing their long-term value. The Board is responsible for establishing corporate goals and providing the strategic direction for the Company. The Board also plays the critical role in ensuring that sound and prudent policies and practices are in place and performs the oversight role on the management of the Company's businesses.

The major responsibilities of the Board as outlined in the Board's Term of Reference includes amongst others, as follows:

- review and approve the strategies, business plans and policies;
- establish key performance indicators;
- ensure competent management;
- ensure establishment of risk management infrastructure and policies;
- establish procedures governing self-serving practices and conflicts of interest; and
- establish Board Committees, whenever necessary.

Details of the Board Committees are set out on Pages 38 to 44 of the Annual Report.

The Board reserved certain powers for itself and delegate certain matters, such as the day-to-day management of the Company to the Executive Chairman and the Executive Committee. Such delegations are subject to strict approving authority limits. These are matters pertaining to:

- recurring revenue expenditures (within ordinary course of business)
- other non-recurring expenditures
- capital expenditures
- investments/proprietary trading
- inter-company loans/advances
- corporate guarantees/other commitments
- bank loans/Private Debt Securities issuance
- investments in subsidiary or associated companies

The Executive Committee is empowered to exercise the powers and duties of the Board between Board meetings and while the Board is not in session, to implement the policy decisions of the Board.

b) Composition of the Board

Good corporate governance practice requires the role of Chairman and that of Chief Executive Officer be separated. The Chairman should be in a non-executive capacity and he must not be a former Chief Executive Officer of the Company.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, who was previously the Executive Chairman, was re-designated as Non-Executive Chairman of the Company with effect from 28 December 2009. Even though he has been re-designated as Non-Executive Chairman, Dato' Nik Mohamed Din still devotes much of his time to the Company.

Dato' Nik Mohamed Din was never a Chief Executive Officer. Being an investment holding company, the Company does not have a Chief Executive Officer.

Following the re-designation of Dato' Nik Mohamed Din, the Board is composed of one (1) Non-Executive Chairman and five (5) Non-Executive Directors, three (3) of whom are Independent Directors. The Independent Non-Executive Directors make up half of the membership of the Board. The Board views the present number of its Independent Directors as ideal to provide the necessary check and balance to the Board's decision-making process. The Independent Non-Executive Directors have fulfilled their role as independent directors through objective participation in Board deliberations and the exercise of independent judgement.

STATEMENT ON CORPORATE GOVERNANCE

A. THE BOARD OF DIRECTORS ("BOARD") (CONT'D)

b) Composition of the Board (Cont'd)

During the year, there were changes made to the Board composition. Dato' Abdul Majit bin Ahmad Khan and Mr. Foo San Kan were appointed as Independent Non-Executive Directors of the Company on 2 January 2009. Dr. Choong Tuck Yew, an Independent Non-Executive Director who reached the age of seventy (70), retired as a Director at the Nineteenth Annual General Meeting of the Company. Mr. Wong Chong Che, a Non-Independent Non-Executive Director, resigned as a Director on 15 April 2009. The change in the Board composition is in line with good corporate governance practice, where it was recommended that at least one (1) new independent, non-executive director should retire or join the Board once in every three (3) years. None of the Independent, Non-Executive Director of the Company had served a term of twelve (12) years.

The Board found the current Board composition is appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the current Board membership. The Board is well represented by individuals with diverse professional backgrounds and experience in the areas of finance, accounting, economics and law, as well as capital markets services.

In ensuring that each of the Directors possess the unquestionable integrity and good character, there is a mechanism in place to ensure that each of the Directors meets the "Fit and Proper" standards. A yearly assessment is carried out to ensure that each Directors continues to meet the "Fit and Proper" criteria as set out in BNM/GP1 Guidelines and Section 56 of the Banking and Financial Institutions Act, 1989.

The profile of the Directors are set out in the Directors' Profile on Pages 14 to 16 of this Annual Report.

c) Supply of Information

The quality of information supplied to the Board is imperative as it leads to good decision-making. In order to monitor and the Company's performance against its strategic objectives, the Board is supplied with both financial and non-financial information, which include :

- strategy and budget for the year;
- quarterly performance reports of the Group;
- market share and market responses to the Group's strategies;

- investments, acquisitions and disposal of assets;
- major operational and financial issues;
- internal restructuring exercise;
- risks related to its investments and businesses and major non-compliance issues; and
- manpower and human resource matters.

To ensure that the Board receives information in a timely manner, the notices of meetings are sent to the Directors at least seven (7) days in advance and the meeting papers are delivered within three (3) days before the meeting. This provides the Board with sufficient time to go through the meeting papers and to raise important issues during the meeting. All proceedings of the meetings are properly minuted and kept by the Company Secretary.

The Board has unrestricted access to the Company's information and receives regular information updates from the management. Corporate announcements released to Bursa Malaysia are sent to all the Directors on the same day of release.

Board members has complete and unhindered access to the Senior Management and Company Secretary at any time. The Board may consult with other Group employees and seeks additional information where appropriate. Likewise, the Directors have access to independent professional advice whenever such services are needed to assist them in carrying out their duties.

The Board can conduct or direct any investigation to fulfill its responsibilities and can retain, at the Company's expense (where appropriate), any legal, accounting or other services that it considers necessary to perform its duties.

d) Board Meetings

During the financial year under review, eight (8) Board meetings were held. Details of the Directors' attendance are as follows:

Directors	Attendance
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	8/8
2. Ong Leong Huat	8/8
3. Wong Chong Kim	8/8
4. Dr. Ngo Get Ping	8/8
5. Dato' Abdul Majit bin Ahmad Khan	7/8
6. Foo San Kan	8/8
7. Dr. Choong Tuck Yew (retired at the AGM held on 15 April 2009)	1/1
8. Wong Chong Che (resigned on 15 April 2009)	1/2

STATEMENT ON CORPORATE GOVERNANCE

A. THE BOARD OF DIRECTORS ("BOARD") (CONT'D)

d) Board Meetings (Cont'd)

The Board meetings for each of the financial year are scheduled before the end of the preceding financial year. This is to allow the Directors to organise and plan their activities ahead, to ensure that they are able attend all board meetings that has been scheduled for the following year.

All the Directors have participated fully in the discussions during the Board meetings. There is no Board dominance by any individual and the Directors are free to express their views and opinions during the Board meetings. In arriving at board decisions, the will of the majority prevails at all time.

The Directors also observe the requirement that they do not participate in the deliberations on matters of which they have a material personal interest, and abstain from voting in such matter.

The Directors are aware that they must notify the other Board members of their interest in contracts that is in conflict, or appears to be in conflict with an interest of the Company by disclosing the nature and extent of that interest during the Board meetings.

The Board decisions are recorded accurately in the meeting minutes and the draft minutes of meetings is made available to all Board members before the next meeting.

e) Appointment of Directors

The Nominating Committee recommends to the Board suitable candidates for appointment as Directors, and filling the vacant seats of Board Committees.

The Nominating Committee has a formal assessment mechanism to assess the effectiveness of the Board as a whole and the contribution of each individual director, including the Independent Non-Executive Directors.

During the year, the Nominating Committee has conducted the annual review of the Board's effectiveness as a whole, the performance of the Board Committees and the performance assessment of each individual Director. The performance assessment rating on the Board's effectiveness, the Board Committees and individual Directors was rated as "Good".

The Nominating Committee comprises of five (5) Non-Executive Directors, the majority of whom are Independent Directors. The details are set out on Pages 40 to 41 of this Annual Report.

f) Retirement and Re-election of Directors

The Articles of Association of the Company ("Articles") provided that all Directors who have been appointed by the Board are subject to re-election by shareholders at the First Annual General Meeting ("AGM"). The Articles also provide that one-third (1/3) (or nearest to one-third, if number is not three or multiple of three) of the Directors (including the Managing Director) to retire by rotation at every AGM. All the Directors are subject to retirement at an interval of at least once in every three (3) years.

The Directors who are standing for re-election at the upcoming Annual General Meeting of the Company to be held on 14 April 2010 are as stated in the Notice of the Twentieth AGM.

g) Remuneration of Directors

The Remuneration Committee is responsible for developing a formal and transparent policy and framework on the remuneration of the Directors (including that of the Executive Chairman) for recommendations and approval by the Board of Directors. In determining the level and make-up of the Director's remuneration, the Remuneration Committee would consider amongst others, the following:

- a remuneration framework that support the Group's objectives, culture and strategies;
- the Group's performance for the year;
- the individual's performance against established criteria and performance related elements, responsibility and accountability;
- for Non-Executive Directors, the remuneration is in line with the level of contribution and taking into account, factors such as efforts and time spent and the responsibilities entrusted upon them;
- the level of expertise, knowledge and experience; and
- the Group's policy with regard to directors' fee, salaries, allowances, bonuses, options and benefits-in-kind and termination/retirement benefits.

The Remuneration Committee is comprised of entirely the Non-Executive Directors and the details are set out on Pages 39 to 40 of this Annual Report. The Executive Chairman do not participate in the decision with regards to his remuneration.

STATEMENT ON CORPORATE GOVERNANCE

A. THE BOARD OF DIRECTORS ("BOARD") (CONT'D)

g) Remuneration of Directors (Cont'd)

The remuneration package for Non-Executive Directors is determined by the Board as a whole, with the Directors concerned abstain from deliberations and voting on his own remuneration.

There was no increase in the Directors' fees for the financial year ended 31 December 2009. The Directors' fees for each Director has been fixed at RM30,000 per annum with additional fee of RM7,500 per annum to the Audit Committee Chairman. The Directors are also entitled to meeting allowance of RM1,000 for attending meetings.

The proposed Directors' fees for the financial year 2009 would be tabled at the Twentieth AGM for approval by the shareholders.

The Directors remuneration for the financial year ended 31 December 2009 are as follows:

2009	Executive RM	Non- Executive RM	Total RM
Amount received/receivable from the Company:			
Fee – Provision for the year	30,000	174,760	204,760
Defined contribution plan	46,800	-	46,800
Salaries, bonuses and other emoluments	390,000	-	390,000
	436,800	-	436,800
	466,800	174,760	641,560
Benefits-in-kind	17,764	-	17,764
Amount received/receivable from the Group:			
Fee – Provision for the year	143,333	611,733	755,066
Defined contribution plan	58,067	796,800	854,867
Salaries, bonuses and other emoluments	483,889	6,640,000	7,123,889
	541,956	7,436,800	7,978,756
	685,289	8,048,533	8,733,822
Benefits-in-kind	22,040	57,998	80,038

The number of Directors of the Company whose total remuneration fall within the following bands based on their designation as at balance sheet date are shown as follows:

2009	Executive	Non- Executive	Total
Group			
RM 50,000 and below	-	3	3
RM100,001 up to RM150,000	-	1	1
RM150,001 up to RM200,000	-	1	1
RM500,001 up to RM550,000	-	1	1
RM1,850,001 up to RM1,900,000	-	1	1
RM4,900,001 up to RM4,950,000	-	1	1
	-	8	8

STATEMENT ON CORPORATE GOVERNANCE

A. THE BOARD OF DIRECTORS ("BOARD") (CONT'D)

h) Continuing Education of Directors

The Directors of the Company have all attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Malaysia for directors of public listed companies. In addition, the Company also provides orientation program for new directors. These cover the Group's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its management structure, its internal and external audit programs, and directors' rights, duties and responsibilities.

All the Directors have attended trainings during the year. Some of these training programmes, seminars and forums are as follows:

1. Financial Institutions Directors Education (FIDE) Programme;
2. Introduction to Islamic Investment Banking;
3. Governance Trends and Issues;
4. 3D Negotiation : A strategic Tool for Board and Senior Executives;
5. Development and Challenges in Regional and Local Markets;
6. Setting of KPI and Managing Performance;
7. Multilateral Trading Facility, Alternative Trading System and Dark Pools – Challenges and Opportunities;
8. Balance Scorecard Implementation Workshops;
9. Audit Committee Essentials Series Module 2 – Composition and Conduct of Audit Committee;
10. Forum on FRS 139 Financial Instruments : Recognition and Measurement; and
11. Breakfast Talk : Amendments to the Companies Act, 1965 : Directors' Duties.

The Directors will continue to participate in other training programmes to keep abreast with latest developments in the capital markets, relevant changes in laws and regulations and on corporate governance matters, from time to time.

i) Investors Relations

The Board recognized the importance of accurate and timely dissemination of information to the shareholders and potential investors. As such, the maintenance of an effective communication policy between members of the public and the Company is important. During the year, the Company has adopted the Investor Relations Policy.

The following are some of the channels used by the Company to disseminate information on a timely basis to the investing public:

- a) The Annual General Meeting has been the main forum of dialogue for the shareholders to raise their concerns, if any pertaining to the Company.
- b) Quarterly announcements and corporate disclosure to Bursa Securities are available on the website www.bursamalaysia.com.
- c) Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches.
- d) The Company's website www.oskgroup.com provides corporate information on the Group.

Mr. Woon Chong Boon, aged 42, is the Director/ Head of Group Corporate & Legal Affairs. He is the personnel in charge of addressing inquiries from shareholders, investors and the public. He holds a Bachelor of Business Administration degree in Finance in 1991 as well as a Master of Business Administration from Western Michigan University in 1992. Prior to joining OSK in 2002, he was attached to Arthur Andersen & Co., Malaysia for about ten (10) years and his last position was Senior Manager.

The Board is committed to embark on various initiatives in the coming year to further improve on its investors relations and dialogues with shareholders, institutional investors and key stakeholders.

The Board will continue to adhere to the code of ethics as set out in the BNM/GP7, Part 1 Code of Conduct: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry.

STATEMENT ON CORPORATE GOVERNANCE

A. THE BOARD OF DIRECTORS ("BOARD") (CONT'D)

i) Investors Relations (Cont'd)

During the year, the Board adopted the Whistle Blowing policy, which sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties perpetrated within the Group. The Board appointed Mr. Foo San Kan as Senior Independent Director to whom the employees may convey their concerns, in respect of any improprieties or abuses committed by senior management personnel.

The Board will continue to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and in line with Government's economic objectives.

B. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

The Board is responsible for presenting a balanced, clear and meaningful assessment of the Group's financial positions and prospects to shareholders, investors and regulatory authorities. The quarterly results and annual financial statements are reviewed by the Audit Committee and recommended to the Board for approval before releasing to the public via the Bursa Link.

The details of the financial statements of the Company is set out on Pages 53 to 196 of this Annual Report.

b) Related Party Transactions

All the related party transactions are submitted to the Audit Committee on a quarterly basis.

The details of these transactions are set out under the Additional Disclosure on Page 51 and the Notes to Financial Statements on Pages 53 to 196 of this Annual Report.

c) Internal Control

The Board acknowledges its responsibilities of setting up and maintaining an effective system in ensuring a proper risk management environment. In achieving this, the Board has ensured that the system of internal control had taken into account the process of identifying key risks, the likelihood of occurrence and materiality. The Board has also considered the adequacy of internal controls in addressing these risks.

The Board recognizes that risks cannot be eliminated completely. Nevertheless, with the implementation of a proper system of internal control, the Directors and senior management of the Group would aim to provide reasonable assurance against material misstatements, losses and fraud.

In order to ensure that the system of internal control remains effective and efficient, the Group Internal Audit Department ("GIA"), which is independent from the operating departments, performs regular reviews and examinations of the Company's activities in accordance to compliance and risk management requirements. The GIA reports directly to the Audit Committee of which, the majority of its members are Independent Directors.

The Group Compliance Department and Risk Management Department review, on a regular basis, compliance to regulatory requirements and the effectiveness of risk policies.

The Profiles of officers who are responsible for managing internal controls, legal and regulatory compliance are as follows:-

Internal Controls

Mr. Lee Kah Kim, aged 58, a Malaysian, is the Associate Director/Head of Group Internal Audit. He is a member of the Malaysian Institute of Certified Public Accountants and member of the Malaysian Institute of Accountants. He qualified as a CPA while working as an articled student in KPMG, Kuala Lumpur. He has served the UMW Group of Companies for about 24 years. His last position in UMW was the General Manager, Group Internal Audit.

Mr. Lee is also the Acting Head/Group Compliance.

Legal

Ms. Shanti Anne Sankey, aged 44, a Malaysian, is the Associate Director, Group Corporate & Legal Affairs. She holds a Bachelor of Laws (Honours) from the University of East Anglia (UK) and is a Barrister-of-Law of Lincoln's Inn.

She was admitted as an advocate and solicitor of the High Court of Malaya in May 1993 and was in private practice specializing in commercial and banking litigation. She was later admitted as an advocate and solicitor of the Supreme Court of Singapore in August 2000. In April 2001, she joined the legal department of a foreign financial institution in Malaysia and subsequently joined OSK in August 2004. She has nearly 17 years of working experience in the legal and financial industry.

STATEMENT ON CORPORATE GOVERNANCE

B. ACCOUNTABILITY AND AUDIT (CONT'D)

c) Internal Control (Cont'd)

Risk Management

Ms. Grace Lim Wooi Teen, aged 48, a Malaysian, is the Director/Head of Risk Management of OSK. She holds a Master of Business Administration degree conferred by University of Western Sydney, Australia in 2005, a Bachelor of Arts degree from University of Malaya, Kuala Lumpur in 1984 and is a Certified Financial Planner registered with Financial Planning Association of Malaysia since 2005.

She brings to OSK over 22 years of senior management experience in the fields of banking, financial services and securities industries covering areas of corporate banking, business banking, credit risk management and administration, structured products/debt capital markets and corporate finance.

d) Relationship with Auditors

The Board has established formal and transparent relationships with both the internal and external auditors through the Audit Committee. The Audit Committee meets with the internal and external auditors to discuss the audit plan, audit findings and the Group's financial statements. The external auditors also meet the Audit Committee of the Company at least once a year without the presence of the Management.

The Audit Committee takes responsibility to ensure that adequate resources are allocated and provided to the internal auditors to carry out their duties according to the annual audit plan. The details of audit/non-audit fees paid/payable to the external auditors are set out below:

	Group (RM)	Company (RM)
2009		
Audit fees paid to external auditors	1,112,165	36,000
*Non-audit fees paid to external auditors	83,000	3,000

Details of the non-audit assignments carried out are as follows:-

	Group (RM)	Company (RM)
*Non-audit fees		
OSK-UOB Asset Management/Funds - FRS139 training	35,000	-
OSKIB - Review of abridged financial statements	7,000	-
OSKIB - Review of audited financial statements for Bank Negara Malaysia submission	11,000	-
OSKH - Reporting accountants for distribution of shares of OSK Ventures International Berhad	23,000	-
OSKH - Reporting accountants for the adjustments of ESOS price	4,000	-
OSKH - Review of statement of Internal Control	-	3,000

The external auditors, Messrs Ernst & Young, who performs statutory audit function for the Group is independent.

C. BOARD COMMITTEES

To help it carry out its responsibilities, the Board has established the following Committees and has adopted charters setting out the matters relevant to the composition, responsibilities and administration of these Committees:

- Audit Committee;
- Remuneration Committee;
- Nominating Committee;
- Risk Management Committee;
- Executive Share Option Scheme Committee; and
- Executive Committee.

Following each Committee meeting, the Board receives a copy of the minutes of meeting from the relevant Committee.

The composition of each Committee's members, terms of reference, the activities carried out during the year and the number of meetings attended during the year 2009 are set out below.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

a) Audit Committee

The Audit Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors, assist the Board in the review of the effectiveness of internal controls and risk management processes of the Company.

The details of the activities carried out by the Audit Committee during the year are set out in the Audit Committee Report on Pages 45 to 47 of this Annual Report.

b) Remuneration Committee

The Remuneration Committee comprises entirely of the Non-Executive Directors as follows, the majority of whom are Independent Directors:

Composition

Chairman – Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director
(appointed on 15 April 2009)

Members – Ong Leong Huat
Non-Independent Non-Executive Director

Foo San Kan
Independent Non-Executive Director
(appointed on 15 April 2009)

Dr. Choong Tuck Yew
Independent Non-Executive Director
(retired at the AGM held on 15 April 2009)

Dr. Ngo Get Ping
Independent Non-Executive Director
(resigned on 15 April 2009)

Authority

The Committee is granted the authority by the Board to provide formal and transparent procedures for developing the remuneration policy and framework for directors, CEO and key senior management.

The Committee shall ensure that compensation is competitive and consistent with the remuneration and employment conditions of the industry as well as the Company's culture, objectives and strategy.

Frequency of Meeting

The Committee is to meet at least once a year or as and when deemed fit and necessary.

Functions and Duties

(I) Remuneration Framework

- To recommend a framework of remuneration for directors, CEO and key senior management officers from the full Board's approval;
- The remuneration framework shall support the Company's culture, objectives and strategy and shall reflect the responsibility and commitment which goes with the Board membership and responsibilities of the CEO and senior management officers;
- There shall be a balance in determining the remuneration package, which shall be sufficient to attract and retain directors of calibre, and yet not excessive to the extent the Company's funds are used to subsidise the excessive remuneration packages; and
- The framework shall cover all aspect of remuneration including director's fees, salaries, allowance, bonuses, options, benefits-in-kind and termination benefits.

(II) Remuneration Packages

- To recommend specific remuneration packages for executive directors and the Chief Executive Officer;
- The remuneration package shall be structured such that it is competitive and consistent with the Company's culture, objectives and strategy;
- Salary scales drawn up shall be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking;

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

b) Remuneration Committee (Cont'd)

Functions and Duties (Cont'd)

(II) Remuneration Packages (Cont'd)

- The remuneration of each Board member may differ based on their level of expertise, knowledge and experience. As for non-executive directors and independent directors, the level of remuneration shall be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;
- Executive Directors should not participate in decisions of their own remuneration; and
- The determination of remuneration packages of Non-Executive Directors shall be determined by the Board collectively. The Director(s) concerned shall abstain from discussion of his own remuneration.

There was one (1) meeting held during the financial year. The attendance of the members of Remuneration Committee are as follows:

Members	Attendance
Dr. Choong Tuck Yew	1/1
Ong Leong Huat	1/1
Dr. Ngo Get Ping (via teleconferencing)	1/1
Dato' Abdul Majit bin Ahmad Khan	0/0
Foo San Kan	0/0

Key activities undertaken by the Remuneration Committee during the year include:

- review and recommend the financial year 2008 bonus for the Executive Chairman; and
- review and propose the Directors' fees for the year 2008.

c) Nominating Committee

The Nominating Committee comprises entirely of Non-Executive Director, the majority of whom are Independent Directors:-

Composition

Chairman – Dr. Ngo Get Ping
Independent Non-Executive Director
(appointed as Chairman on 15 April 2009)

Members – Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

Foo San Kan
Independent Non-Executive Director

Ong Leong Huat
Non-Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director
(appointed as a member on 15 April 2009)

Wong Chong Che
Non-Independent Non-Executive Director
(resigned as a member on 15 April 2009)

Authority

The Committee is granted the authority by the Board to provide a formal and transparent procedure for the appointment of directors and CEO as well as assessment of effectiveness of individual directors, the Board and performance of CEO and key senior management officers.

Frequency of Meeting

The full Committee is to meet at least once a year or as and when deemed fit and necessary.

Functions and Duties

- (I) Establish Minimum Requirement for the Board and CEO
- To establish minimum requirement for the board i.e. required mix of skills, experience, qualification and other core competencies required of a director;
 - To establish minimum requirements for the CEO; and
 - The requirements and criteria shall be approved by the full board.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

Functions and Duties (Cont'd)

(II) Establish Assessment Mechanism

- To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other key senior management officers; and
- Annual assessment shall be conducted based on an objective performance criterion and the performance criteria shall be approved by the full Board.

(III) Recommendation and Assessment

- To recommend and assess the nominees for directorship, board committee members as well as nominees for the CEO;
- To assess directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia;
- The actual decision as to who shall be nominated shall be the responsibility of the full board;
- To assess, on an annual basis, to ensure that the directors and key senior management officers are not disqualified under section 56 of the Banking and Financial Institutions Act 1989 (BAFIA);
- To recommend to the Board the removal of a director/CEO from the board/management if the director/CEO is ineffective, errant and negligent in discharging his responsibilities; and
- To recommend to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

(IV) Overseeing the Board and Key Management

- To oversee the overall composition of the board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- To oversee the appointment, management succession planning and performance evaluation of key senior management officers; and
- To ensure that all directors receive an appropriate continuous training program in order to keep abreast with the latest development in the industry.

There were two (2) meetings held during the financial year. The attendance of the members of Nominating Committee are as follows:-

Members	Attendance
Dr. Ngo Get Ping	2/2
Dato' Abdul Majit bin Ahmad Khan	2/2
Foo San Kan	2/2
Ong Leong Huat	2/2
Wong Chong Kim	2/2

Key activities undertaken by the Nominating Committee during the year include:

- to consider and recommend the appointment of an additional Director to the Board;
- to assess the effectiveness of the Board as a whole and the contribution of the various Board Committees;
- to review and assess the performance of the Executive Chairman and Non-Executive Directors;
- to assess the overall composition of the Board in terms of its appropriate size, mix of skills, experience, core competencies and the balance between assessment Executive Directors, Non-Executive Directors and Independent Directors;
- to ascertain the "fit and proper" criteria of each of the Directors; and
- to review the training programmes attended by Directors during the financial year.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

d) Risk Management Committee

Composition

Chairman – Dr. Ngo Get Ping
Independent Non-Executive Director

Members – Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

Authority

The Committee is granted the authority by the Board to oversee the senior management activities of the Company and companies in the Group (where applicable) in managing credit, market, liquidity, operational, legal and other risks, and to ensure that risk management processes are in place and functioning effectively.

Frequency of Meeting

The Committee shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.

Functions and Duties

- (a) To review and recommend risk management strategies, policies and risk tolerance levels for Board's approval.
- (b) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively.
- (c) To ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the risk originating activities of the Company and companies in the Group (where applicable).
- (d) To review periodic risk management and business exposures reports from the respective business units of the Company and companies in the Group (where applicable) on risk exposures, risk portfolio compositions and risk management activities.
- (e) To review and recommend new policies or changes to policies and to consider their risk implications.

(f) To ensure that the respective risk management committees of the companies in the Group (where applicable) mirror the role and responsibility functions, duties and authority described herein; and

(g) To note & adopt the respective board minutes (or any other forms of documents that highlight the risk exposures and activities) of companies in the Group with respect to risk management activities carried out at that level.

There were four (4) meetings held during the financial year. The attendance of the members of Risk Management Committee are as follows:

Members	Attendance
Dr. Ngo Get Ping	4/4
Dato' Abdul Majit bin Ahmad Khan	4/4
Wong Chong Kim	4/4

Key activities undertaken by the Risk Management Committee during the year include:

- (a) review of the Group's risk positions, trend and outlook in terms of market risk exposure, credit risk exposure, liquidity risk level as well as operational risk issues as highlighted in monthly risk management reporting including assessment of the Risk Weighted Capital Ratio;
- (b) progress and significant issues on the development of the risk profile of the Group via the implementation of risk control self assessments and key risk indicators;
- (c) assessment of the risk profile of key operating subsidiaries of the Group including any significant issues raised and new development related to risk management;
- (d) review of the robustness of any new risk management, financial and operating framework, policies and limits implemented for the Group and its operating subsidiaries;
- (e) significant issues highlighted and recommendations put forth by the Group internal auditors, external auditors and regulatory auditors to enhance the risk management function as well as action taken by management;
- (f) Adequacy of risk management resources and rigorousness of the Group's risk management infrastructure including policies, processes, structure and system; and
- (g) Effectiveness of the risk awareness and training program planned and implemented throughout the Group.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

e) Executive Share Option Scheme ("ESOS") Committee

Composition

Chairman – Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director
(appointed on 19 November 2009)

Member – Wong Chong Kim
Non-Independent Non-Executive Director

Dr. Choong Tuck Yew
Independent Non-Executive Director
(resigned on 19 November 2009)

Authority

The Committee is granted the authority to administer the ESOS Scheme ("Scheme") at its discretion with such powers and duties as are conferred upon it.

The Committee may meet together for the dispatch of business, adjourn or otherwise regulate its meetings as it thinks fit and to do all act and things and enter into any transactions, agreements, deeds, documents of arrangements, make rules, regulations or impose terms and conditions which the Committee may in its discretion consider to be necessary or desirable for giving full effect to the Scheme.

The decision of the Committee shall be final and binding.

The Committee, the Board and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event relating to the delay on the part of the Company in issuing and allotting shares or in procuring the Bursa Securities to list the shares for which the Grantee is entitled to subscribe.

Frequency of Meeting

The Committee is to meet at least once a year or as when deemed fit and necessary over the duration of the Scheme.

Functions and Duties

- (a) To select for participation and the quantity of allocation under the Scheme which shall be based in the performance of any Eligible Grantee, the performance of his business unit/department/division/subsidiary and the overall performance of the OSK Group.
- (b) To grade the performance of each Eligible Grantee and to classify each Eligible Grantee into various performance grades.
- (c) To determine the allocation based on the criteria set out under the By-Law of the Scheme which will be made to each Eligible Grantee over the duration of the Scheme.
- (d) To determine the number of options to be offered to the Eligible Grantee under the Scheme which will be made to each Eligible Grantee over the duration of the Scheme.
- (e) To determine the number of shares to be offered to the Eligible Grantee under the Scheme which may vary from period to period depending on the performance grade of which the Eligible Grantee is assigned to during the period under review.
- (f) To make an Offer to any Eligible Grantee based in performance of the Eligible Grantee and subject to the Maximum Allowable Allotment set out in the By-Law of the Scheme.
- (g) To suspend the rights of any Grantee who is being subjected to disciplinary proceedings to exercise his Option pending the outcome of such disciplinary proceedings and in addition may impose such terms and conditions as it shall deem appropriate in its discretion, on the rights of exercise of the Option having regard to the nature of the charges made or brought against such Grantee.
- (h) To consider cases in the event of cessation of employment of a Grantee by reason of retirement, ill-health, injury, disability, redundancy, retrenchment, transfer of any other circumstances during the Option Period, on a case basis may allow the Grantee to exercise his Option provided such Option shall remain exercisable during the Option Period.
- (i) To modify and/or amend the By-Law(s) of the Scheme by resolution from time to time.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

e) Executive Share Option Scheme ("ESOS") Committee (Cont'd)

Functions and Duties (Cont'd)

There was one (1) meeting held during the financial year. The attendance of the members of ESOS Committee are as follows:

Members	Attendance
Dr. Choong Tuck Yew	1/1
Wong Chong Kim	1/1
Dato' Abdul Majit bin Ahmad Khan	0/0

The key activity undertaken by ESOS Committee during the year was to confirm the adjustments of ESOS exercise price as a result of the Company's distribution of its shares held in OSK Property Holdings Berhad and OSK Ventures International Berhad respectively to the shareholders of the Company.

f) Executive Committee

Composition

Chairman – Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Non-Independent Non-Executive Director

Member – Ong Leong Huat
Non-Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

Authority

The Executive Committee established by the Board as an operating committee which functions as a medium between the Board and management to ensure that business strategies, daily business and operational issues are carried out efficiently and effectively and that the requirements of good corporate governance practices are observed.

Functions and Responsibilities

- To exercise and execute the authority as granted by the Board of Directors;
- To identify, formulate and prioritise strategic issues and chart strategic directions for action by the management and staff;
- To review and approve the business strategies, budget, relevant key procedures and/or guidelines;
- To ensure that infrastructure, resources and systems are in place for the establishment of a conducive working environment;
- To review management reports from operation and business units on key business performance, operating statistics and regular matters;
- To report to the Board on matters that require their attention and approval;
- To monitor and evaluate business conditions and developments in the financial markets on an ongoing basis to ensure that the impact of changes are identified and managed accordingly; and
- To review and approve transactions or activities as delegated by the Board of Directors.

Frequency of Meeting

The Committee shall preferably meet on a quarterly basis, but in any event, no less than once four (4) times a year, or whenever deemed necessary.

There were no meetings held during the year.

This Statement on Corporate Governance was tabled and approved by the Board of Directors of the Company on 10 February 2010.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2009.

MEMBERSHIP

The Audit Committee ("Committee") consists of the following members:-

Dr Choong Tuck Yew
Chairman, Independent Non-Executive Director
(Redesignated as a Member of Audit Committee on 2 January 2009 and retired at the AGM held on 15 April 2009)

Foo San Kan
Independent Non-Executive Director
(Appointed as Chairman of Audit Committee on 2 January 2009)

Dr Ngo Get Ping
Independent Non-Executive Director
(Resigned and re-appointed as a Member of Audit Committee on 2 January 2009 and 15 April 2009 respectively)

Wong Chong Kim
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2009, the Committee held a total of four (4) meetings. The details of attendance of the Committee members are as follows:-

Name of Committee Member	No. of meetings attended
Dr Choong Tuck Yew	1/1
Foo San Kan	4/4
Dr Ngo Get Ping	3/3
Wong Chong Kim	4/4

COMPOSITION AND TERMS OF REFERENCE

Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company with at least three (3) members, a majority of whom must be independent directors. At least one (1) member of the Committee:-

- must be a member of the Malaysian Institute of Accountants; or

- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and
 - he must have passed the examinations specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
- fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

The Committee shall be chaired by an independent director. No alternate director is to be appointed as a member of the Committee. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirement, the vacancy must be filled within three (3) months.

Frequency of Meetings

The Committee shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or whenever deemed necessary.

Head of Group Internal Audit, Head of Group Finance and Administration and the representatives of the external auditors, are invited to attend the Committee meetings at least twice a year.

The Company Secretary shall be the Secretary to the Committee.

Quorum

The quorum of meetings of the Committee shall be two (2) members and the majority of members present must be independent directors.

Authority

The Committee shall within its terms of reference:-

1. have the authority to investigate any activity within its terms of reference;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information as required to perform their duties;
4. be able to obtain independent professional or other advice;
5. be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, and with other external parties, whenever deemed necessary;
6. have the authority to form management / sub-committee(s) if deemed necessary and fit; and
7. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit.

AUDIT COMMITTEE REPORT

DUTIES AND RESPONSIBILITIES

1. Internal Audit

- To oversee the functions of the Internal Audit Department and ensure compliance with relevant regulatory requirements;
- To review the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
- To review the internal audit programme, processes, the results of the internal audit activities or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit; and
- To appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Head of Group Internal Audit Department.

2. Internal Controls

- To review the effectiveness of internal controls and risk management processes.

3. External Audit

- To review the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board;
- To assess the objectivity, performance and independence of external auditors;
- To review with the external auditors, the audit scope and plan, including any changes to the scope of the audit plan;
- To review with the external auditors, their evaluation of the system of internal controls and their audit report;
- To review the external auditors' management letter and response;
- To review the audit findings raised by the external auditors and ensure that issues are being managed and rectified appropriately and in a timely manner;
- To review the assistance given by the employees of the Company and its subsidiaries to the external auditors;
- To have direct communication channels with the external auditors and to meet with the external auditors without the presence of management, at least twice a year;
- To discuss problems and reservations arising from the interim and final audit and any matter the external auditors may wish to discuss (in the absence of management where necessary);
- To approve the provision of non-audit services by the external auditors; and
- To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgment of the auditors.

4. Financial Reporting

- To ensure fair and transparent reporting and prompt publication of the financial accounts; and
- To review and report to the Board of Directors on the quarterly results and year-end financial statements, prior to approval by the Board of Director, focusing particularly on:-
 - any change in or implementation of accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - significant and unusual events; and
 - compliance with accounting standards and other regulatory requirements.

5. Related Party Transactions

To review any related party transactions and conflict of interest situation that may arise within the Company and its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity.

6. Other Matters

To consider any other functions or duties as may be agreed to by the Committee and the Board.

SUMMARY OF ACTIVITIES

During the year under review, the following were the activities of the Committee:-

Internal Audit

1. Reviewed the staffing requirements of the Internal Audit Department to ensure that the Internal Audit Department is adequately staffed by employees with the relevant skills, knowledge and experience to enable the Internal Audit Department to perform its role including the provision of training;
2. Reviewed the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
3. Reviewed the performance of the Head of Group Internal Audit; and
4. Reviewed and discussed the internal audit reports and ensure that corrective actions had been taken to rectify the weaknesses highlighted in the audit reports.

Financial Reporting

1. Reviewed the quarterly and year end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:-
 - any change in or implementation of accounting policies and practices;
 - significant adjustments arising from the audit, if any;
 - the going concern assumption;
 - significant and unusual events; and
 - compliance with accounting standards and other regulatory requirements.

External Audit

1. Reviewed the half year and annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval; and
2. Reviewed and discussed the observations, recommendations and the Management's comments in respect of the issues raised by the external auditors on their evaluation of the system of internal controls.

Related Party Transactions

1. Reviewed the related party transactions and conflict of interest situation that may arise within the Company and its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity.

INTERNAL AUDIT FUNCTION

The Board recognised the importance of the internal audit function and the independent status required for it to carry out its functions effectively. Therefore, in order to establish an effective system of internal controls, a Group Internal Audit Department ("GIA") has been established by the Board since 1994. In the year 1999, the Board also set up the IT Audit after considering the advancement of IT technology applicable to the finance industry. It is the duty of the Committee and the Board to ensure that sufficient staff has been allocated to this department. The GIA has introduced Risk-Based-Auditing approach with risk focused audit programme in order to ensure that the principal risks are being identified and mapped with the existing system of internal controls. The GIA carries out its duties according to the Annual Audit Plan, and areas of concern which need further improvement as highlighted in the audit report are discussed in the Committee meetings. The Board has via the Committee evaluated the effectiveness of the GIA by reviewing the results of its work in the Committee meetings.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

RESPONSIBILITY OF THE BOARD

The Board recognises the importance of a sound system of internal controls for good corporate governance and acknowledges its primary responsibility to ensure that principal risks in the Group are identified, measured and managed with appropriate system of internal controls, and to ensure that the effectiveness, adequacy and integrity of the internal control systems are reviewed on an ongoing basis. The Board also acknowledges that a sound system of internal controls reduces, but cannot eliminate, the possibility of poor judgement in decision-making; human error; breakdown in internal control due to collusion; control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal controls therefore provides reasonable, but not absolute, assurance that the Group will not be hindered in achieving its business objectives.

TYPES OF RISKS

The principal activities of the Group are stockbroking, futures and options broking, corporate advisory, underwriting services, debt securities, interbank market activities, foreign exchange, corporate loans, deposit-taking, derivatives and structured products, commercial banking, Islamic banking, unit trusts, nominee services, trustee services, asset management services, and capital financing.

On 28 August 2009, OSKH completed the distribution of up to 98,673,670 ordinary shares of RM1.00 each in OSK Ventures International Berhad to the shareholders of the Company. Following the completion of the distribution, OSK Ventures International Berhad had ceased to be a subsidiary of OSKH and venture capital was no longer a principal activity of the Group.

Other than the above, there were no other significant changes in the principal activities of the Group during the financial year.

The risk exposure faced by the Group during the financial year can be broadly categorised into market, credit and operational risks as follows:

Market Risk - Market risk is the risk of potential losses due to unfavorable changes in the market value of financial or non-financial assets held by the Group. Market risk normally arises from equities, fixed-income securities, commodities, foreign currencies exchange and derivative and structured products offered. The Group is exposed to market risks from market-making activities, proprietary position-taking activities and investments activities both locally and overseas.

Credit Risk - Credit risk is the risk of economic loss due to the failure of counterparty to fulfill its obligations under a contractual agreement with the Group. The credit risk of the Group includes settlement risk, margin financing default risk, loan default risk, credit concentration risk and credit assessment risk.

Operational Risk - Operational risk is the risk of opportunity cost or economic loss due to inadequate procedures and policies, system failure, human error, lack of basic internal control, liquidity problem, non-compliance with the regulatory requirements, management failure, unauthorised activities and frauds.

RISK MANAGEMENT FRAMEWORK

The Board confirms that an ongoing process for identifying, measuring and managing the Group's principal risks has been operated throughout the year under review. This process is carried out via the following risk management governance structure:-

- **The Board** - is fully responsible for the risk management of the Group and has carried out its duties by having regular Board meetings to review and approve business strategies, risk management policies and business performance of the Group.

STATEMENT ON INTERNAL CONTROL

- **The Committees** - whose key function is to review the adequacy and effectiveness of risk management, internal control and governance systems of the Group. The Audit Committee's main role is to review, on behalf of the Board, the system of internal controls necessary to manage the key risks inherent in the business and to present its findings to the Board. The Audit Committee is supported by the Group Internal Audit Department in carrying out its roles and responsibilities. In addition, the Board Risk Management Committee of OSK Investment Bank Berhad plays a significant role in contributing to the establishment of a more conducive risk management environment. The Board Risk Management Committee meets regularly to oversee the development of general risk policies and procedures to monitor and evaluate the numerous risks that may arise from the various business activities in the Group.

The other management committees set up in OSK Investment Bank Berhad to manage specific areas of risks are the Executive Committee, the Assets & Liabilities Committee, the Credit Lending Committee, the IT Steering Committee and the Shariah Committee.
- **The Middle Office Management** - whose key function is to ensure implementation and compliance of the Group's operational policies and procedures as well as regulatory requirements. Group Internal Audit which reports directly to the Audit Committee, evaluates the adequacy and effectiveness of the Group's risk management and internal control system. To ensure that risks are managed effectively, Risk-Based-Auditing approach which begins with risk identification, risk evaluation and mapping of controls has been introduced and implemented. In addition, the Risk Management Department of OSK Investment Bank Berhad develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposures are being measured and monitored. The Group Compliance Department established in certain key subsidiaries and operates under the regulated environment plays a vital role in ensuring compliance with the relevant rules and regulations.
- **The Back Office Management** - plays an important role in ensuring that the above risk management process is being carried out on an ongoing basis. These include the Credit Control Department in key subsidiaries which is primarily responsible for managing credit risk related activities and the Operations Department in key subsidiaries which is primarily in charge of managing settlement risk. The supervision of funding and liquidity risk activities is performed by the Group Finance and Administration Department and Treasury Department.
- **The Front Office Management** - risk origination divisions such as stockbroking, futures and options broking, corporate advisory, debt securities, interbank market activities, corporate loans, deposit-taking, derivatives and structured products, commercial banking, Islamic banking, unit trusts, nominee services and trustee services operate their daily activities within the policies, procedures and limits set up by the management.

KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system, that are regularly reviewed by the Board and are in accordance with the Guidance, are described below:-

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance to the Group;
- Recruitment of experienced, skilled and professional staff with the necessary calibre to fulfill the respective responsibilities and ensuring that minimum controls are in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, which is delegated as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report back to the Board with their recommendations;
- Documented policies, procedures and limits of Approving Authorities ("AA") for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. Such AA list is subject to periodic review either via Board Risk Management Committee or as and when there are changes due to specific circumstances;
- Establishment of specific structure limits for managing market, credit and operational risks such as single security, single client, single product, proprietary position, individual trader, business unit and stop loss limit etc. Procedures for authorising limit excesses are established and serious breaches reported to the supervisory board. These limits are also being reviewed and revised regularly;

STATEMENT ON INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery backup plan to provide business continuity has been established in the key business activities. There are also offline procedures for branches to implement in case of system failure at branches. These disaster recovery plans are tested from time to time and enhanced whenever required;
- Regular and comprehensive management reports to the Board from various lines of operations and business units, on key business performance, operating statistics and regular matters. This enables effective monitoring of significant variances and deviation from standard operating procedures and budget;
- Group Internal Audit independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee on a quarterly basis. The Group Internal Audit provides assurance over the operation and validity of the system of internal controls in relation to the level of risk involved using Risk-Based-Auditing methodology; and
- The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by Group Internal Audit, external auditors as well as regulatory authorities. The Audit Committee reviews the actions taken to rectify the findings in a timely manner, and to evaluate the effectiveness and adequacy of the Group's internal control systems.

The Board believes that the systems of internal controls in the Group are adequate and have been effective in their functions, with no significant problems noted during the period under review.

Moving forward, the Group will continue to improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.

ADDITIONAL DISCLOSURE

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

In accordance with prescribed thresholds under paragraph 10.09(1) of the Listing Requirements, details of the OSK Holdings Berhad ("the Company") Group's recurrent related party transactions made during the financial year ended 31 December 2009 pursuant to the shareholders' mandate obtained at the Nineteenth Annual General Meeting are as follows:

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with OSK – Interested Directors (ID), Major Shareholders (MS) and Persons Connected (PC)	Actual Value (RM)
OSK Group	Annual fee, hosting fee, user access fee, website maintenance development and software development fee payable by OSK Group	Finexasia Group	OLH(MS) (See Note 1)	5,787,485
OSKIB	Institutional unit trust agent commission payable by OSK-UOB	OSK-UOB	OLH(ID/MS), OYS(PC) (See Note 2)	1,354,278
KHB	Rental of office and parking space by the PJD Group	PJD Group	OLH(MS), WCK(ID), WAC(PC), WCS(PC), KCM(PC) (See Note 3)	1,302,880

Notes:-

- (1) The Company has an effective equity interest of 40% in Finexasia.Com Sdn. Bhd. (Finexasia) via its wholly-owned subsidiary, OSK Investment Bank Berhad (OSKIB). The balance of 60% equity interest in Finexasia is held by OSK Venture Equities Sdn. Bhd. (OSKVE), which in turn is a wholly-owned subsidiary of OSK Ventures International Berhad (OSKVI). Mr. Ong Leong Huat (OLH) is a major shareholder of OSK and OSKVI. He is also a director of OSK, OSKVI and OSKIB.
- (2) OSK-UOB Unit Trust Management Berhad (OSK-UOB) is the 70%-owned subsidiary of OSKIB, which in turn a wholly-owned subsidiary of OSK. OLH is the major shareholder of OSK and also a director of OSK and OSKIB. Ms. Ong Yin Suen (OYS) is a director of OSK-UOB is also the daughter of OLH.
- (3) KE-ZAN Holdings Berhad (KHB) is a wholly-owned subsidiary of OSK. OLH, WCK (both are the directors of OSK) are the brothers of Mr. Wong Ah Chiew (WAC) and Mr. Wong Chong Shee (WCS), who are the directors of PJ Development Holdings Berhad (PJD). Madam Khor Chai Moi (KCM), a director and major shareholder of PJD is also the spouse of OLH. OLH is director and major shareholder of OSK.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

There was no materials contract entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2009.

VARIATION OF RESULTS

There were no significant variations between the audited results for the financial year and the unaudited results previously announced.

PROFIT FORECAST/PROFIT GUARANTEE

The Company did not issue any profit forecast in any public documents during the current financial year.

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

The Company did not sponsor any ADR or GDR programme for the financial year ended 31 December 2009.

IMPOSITION OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by relevant regulatory bodies for the financial year ended 31 December 2009.

STATEMENT ON REVALUATION POLICY

The Group does not have any revaluation policy.

STATEMENT OF RESPONSIBILITY BY DIRECTORS IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the provisions of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009, and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements, the Directors have applied the appropriate and relevant accounting policies on a consistent basis; made judgments and estimates that are reasonable and prudent; and prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiary and associated companies are described in Note 47 to the financial statements. There have been no significant changes in the nature of these activities during the year.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Profit attributable to:		
- Equity holders of the Company	112,628,540	8,787,697
- Minority interests	24,497,371	-
	137,125,911	8,787,697

RESERVES AND PROVISIONS

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

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

DIVIDENDS

Dividends paid and declared by the Company since the end of the previous year are as follows:

	RM
(a) A final dividend of 2.5 sen per share less 25% income tax in respect of the preceding year ended 31 December 2008 was paid on 27 May 2009	12,167,277
(b) An interim dividend of 2.5 sen per share less 25% income tax for the year ended 31 December 2009 was paid on 14 October 2009	12,167,782
	24,335,059

The Board of Directors has recommended a final dividend of 5.0 sen per share less 25% income tax for the year ended 31 December 2009. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the year ending 31 December 2010.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Dr Ngo Get Ping
Dato' Abdul Majit bin Ahmad Khan
Foo San Kan
Dr Choong Tuck Yew
Wong Chong Che

- Retired on 15 April 2009
- Resigned on 15 April 2009

DIRECTORS' BENEFITS

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

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Notes 33 and 40(b) to the financial statements or the fixed salary of a full time employee of a subsidiary company of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40(d) to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the Directors in office at the end of the year who have interests in the shares, warrants and options of the Company and its subsidiary companies during the year were as follows:

(a) The Company

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,168,785	500,000~	-	13,668,785
Ong Leong Huat @ Wong Joo Hwa	191,177,012	-	-	191,177,012
Wong Chong Kim	1,125,327	-	-	1,125,327
Indirect interest				
Ong Leong Huat @ Wong Joo Hwa *	11,567,331	-	-	11,567,331
Wong Chong Kim * <	957,594	-	(212,700)	744,894
Number of Warrant B 2000/2010				
	As at 1.1.2009	Acquired	Converted	As at 31.12.2009
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	10	-	-	10
Ong Leong Huat @ Wong Joo Hwa	37,583,915	-	-	37,583,915
Indirect interest				
Ong Leong Huat @ Wong Joo Hwa *	1,730,658	-	(100,300)	1,630,358
Wong Chong Kim * <	70,000	-	(70,000)	-

Each Warrant B 2000/2010 entitles the registered holder to subscribe for 1 new ordinary share in the Company at a subscription price of RM1.25 per share, at any time before the expiry date of 1 March 2010. The details of Warrant B 2000/2010 and revised subscription price are disclosed in Note 27(a).

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

(a) The Company (Cont'd)

	Number of options over ordinary shares of RM1.00 each			
	As at 1.1.2009	Granted	Exercised	As at 31.12.2009
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	300,000	-	(300,000)	-
Ong Leong Huat @ Wong Joo Hwa	1,500,000	-	-	1,500,000
Wong Chong Kim	800,000	-	-	800,000

The options over ordinary shares were granted pursuant to the Company's ESOS as disclosed in Note 27(b).

(b) Former subsidiary company, OSK Ventures International Berhad ("OSKVI")

	Number of ordinary shares of RM1.00 each of OSKVI			
	As at 1.1.2009	Acquired	Disposed	As at 28.08.2009#
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	400,000	2,025,574	-	2,425,574
Ong Leong Huat @ Wong Joo Hwa	377,000	28,966,214	-	29,343,214
Wong Chong Kim	300,000	170,504	-	470,504
Foo San Kan	381,100	-	-	381,100
Indirect interest				
Ong Leong Huat @ Wong Joo Hwa * ^	99,404,770	1,774,436	(98,326,119)	2,853,087
Wong Chong Kim * <	304,600	145,090	-	449,690

	Number of options over ordinary shares of OSKVI of RM1.00 each			
	As at 1.1.2009	Granted	Exercised	As at 28.08.2009#
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	225,000	-	-	225,000
Ong Leong Huat @ Wong Joo Hwa	225,000	-	-	225,000
Wong Chong Kim	225,000	-	-	225,000
Foo San Kan	75,000	-	-	75,000

Each OSKVI option entitles the registered holder to subscribe for 1 new ordinary share in OSKVI at a subscription price of RM2.57 per share, at any time before the expiry date of 10 April 2012.

~ Include acquisition by exercising options over ordinary shares granted.

* Pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007 in relation to shares or warrants held by the spouse and/or children of the Director.

< Include deemed interest by virtue of substantial shareholding of the Director in a corporation which held shares or warrants in the Company or its related corporations.

^ Include deemed interest by virtue of substantial shareholding of the Director in the Company.

On 28 August 2009, the Company completed the distribution of 98,326,119 ordinary shares of RM1.00 each in OSKVI. Effectively from that date, OSKVI is no longer a subsidiary company of the Company. Hence, the disclosure of Directors' interests was made up to 28 August 2009.

DIRECTORS' INTERESTS (CONT'D)

(c) Other subsidiary companies

Mr. Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies (other than in OSKVI, as disclosed above and the wholly-owned subsidiary companies) are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
OSK-UOB Unit Trust Management Berhad	7,000,000	-	-	7,000,000

	Number of ordinary shares/amount (SGD)			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
DMG & Partners Securities Pte Ltd	38,250,000	-	-	38,250,000

	Number of ordinary shares of HKD1 each			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
OSK Holdings Hong Kong Limited	162,000,000	-	-	162,000,000

	Number of ordinary shares of IDR1,000,000 each			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
PT OSK Nusadana Securities Indonesia	52,041	-	-	52,041

Other than as disclosed above, the other Directors in office at the end of the year did not hold any shares, warrants or options in the Company or its related corporations.

ISSUE OF SHARES AND DEBENTURES

The new ordinary shares issued during the year are disclosed in Note 27 to the financial statements. The new ordinary shares issued rank pari passu in all respect with the existing ordinary shares of the Company.

The Company did not issue any debentures during the year.

EXECUTIVE SHARE OPTION SCHEME

The details of the ESOS are disclosed in Note 27(b) to the financial statements.

TREASURY SHARES

The details of the treasury shares are disclosed in Note 28 to the financial statements.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 44 to the financial statements.

MATERIAL SUBSEQUENT EVENTS

Material subsequent events are disclosed in Note 45 to the financial statements.

AUDITORS

The auditors, Messrs. 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 25 February 2010.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia
25 February 2010

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) 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 Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 63 to 196 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2010.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia
25 February 2010

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

I, Choo Chee Beng, being the officer primarily responsible for the financial management of OSK Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 196 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Choo Chee Beng
at Kuala Lumpur in the Federal Territory
on 25 February 2010

Choo Chee Beng

Before me,

Kuala Lumpur, Malaysia
25 February 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OSK HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OSK Holdings Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 63 to 196.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines and Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by BNM Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the financial performance and cash flows of the Group and of the Company for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Companies Act, 1965.
- (b) We have considered the financial statements and the auditors' report of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 47 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
OSK HOLDINGS BERHAD** (Incorporated in Malaysia)

OTHER MATTERS

This report is made solely to the members of the Company, in accordance with the terms of our engagement and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
25 February 2010

Gloria Goh Ewe Gim

No. 1685/04/11(J)
Chartered Accountant

BALANCE SHEETS
AS AT 31 DECEMBER 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
ASSETS					
Cash and short term funds	5	1,611,188,906	1,534,364,381	5,848,390	12,674,060
Deposits and placements with banks and other financial institutions	6	50,000,000	76,046,983	-	-
Securities portfolio					
- Securities held-for-trading	7(a)	203,664,331	46,870,364	25,595,725	5,033,982
- Securities held-to-maturity	7(b)	1,024,095,543	626,679,221	-	-
- Securities available-for-sale	7(c)	2,731,301,261	1,296,417,833	-	-
Derivative financial assets	8	37,122,396	2,325,811	-	-
Loans, advances and financing	9	932,656,238	959,024,972	-	-
Land held for property development	10(a)	-	-	-	-
Property development costs	10(b)	-	-	-	-
Tax recoverable		9,789,009	21,073,326	8,170,128	6,724,848
Other assets	11	2,720,139,627	777,382,887	12,491,311	30,683,379
Statutory and reserve deposits with Central Banks	12	47,673,262	80,834,002	-	-
Deferred tax assets	13(a)	3,402,206	6,365,721	-	2,466,672
Investments in subsidiary companies	14	-	-	934,266,838	1,049,083,716
Investments in associated companies	15	20,368,532	211,884,463	-	1,200,000
Investment property	16	112,600,000	112,600,000	-	-
Prepaid land lease payments	17	11,903,086	12,042,658	-	-
Property and equipment	18	161,358,952	162,982,332	2,368	2,973
Intangible assets	19	209,853,692	211,779,780	16,273	7,142
TOTAL ASSETS		9,887,117,041	6,138,674,734	986,391,033	1,107,876,772

BALANCE SHEETS
AS AT 31 DECEMBER 2009 (CONT'D)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
LIABILITIES					
Deposits from customers	20	4,355,696,546	2,370,632,780	-	-
Deposits and placements of banks and other financial institutions	21	174,222,487	447,915,374	-	-
Obligations on securities sold under repurchase agreements	22	-	248,511	-	-
Derivative financial liabilities	23	51,861,342	5,782,722	-	-
Other liabilities	24	3,445,462,386	1,316,705,031	75,292,450	53,043,739
Tax payable		30,198,351	10,178,504	-	-
Deferred tax liabilities	13(b)	1,022,893	254,838	766,441	-
Borrowings	25	216,966,400	207,573,059	29,434,500	46,665,500
Subordinated notes	26	100,000,000	100,000,000	-	-
TOTAL LIABILITIES		8,375,430,405	4,459,290,819	105,493,391	99,709,239
EQUITY					
Share capital	27	678,665,145	673,068,939	678,665,145	673,068,939
Less: Treasury shares	28	(29,781,821)	(29,778,856)	(29,781,821)	(29,778,856)
		648,883,324	643,290,083	648,883,324	643,290,083
Reserves	29	638,256,690	737,110,707	232,014,318	364,877,450
Equity attributable to equity holders of the Company		1,287,140,014	1,380,400,790	880,897,642	1,008,167,533
Minority interests		224,546,622	298,983,125	-	-
TOTAL EQUITY		1,511,686,636	1,679,383,915	880,897,642	1,008,167,533
TOTAL LIABILITIES AND EQUITY		9,887,117,041	6,138,674,734	986,391,033	1,107,876,772

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

		Group		Company	
	Note	2009	2008	2009	2008
		RM	RM	RM	RM
Revenue		820,368,493	812,165,225	20,394,639	153,143,740
Interest income	30	226,659,985	217,929,285	220,848	417,441
Interest expense	31	(122,925,636)	(122,202,145)	(3,974,721)	(5,620,077)
Net interest income/(expense)		103,734,349	95,727,140	(3,753,873)	(5,202,636)
Net income from Islamic banking operations	53	5,533,024	1,389,312	-	-
Other operating income	32	574,682,371	642,493,511	20,173,791	152,726,299
Other operating expenses	33	(494,278,731)	(490,920,686)	(2,151,758)	(2,440,099)
Write back of/(allowance for) losses on loans, advances and financing	34	3,288,220	(12,422,605)	-	-
Write back of/(allowance for) bad and doubtful debts on trade and other receivables	35	1,477,711	(1,152,577)	-	-
Write back of/(allowance for) impairment losses	36	7,682,162	(43,238,152)	-	(1,427,044)
Share of results after tax of associated companies		(11,097,053)	(23,689,423)	-	-
Profit before tax		191,022,053	168,186,520	14,268,160	143,656,520
Income tax expense	37	(53,896,142)	(29,776,177)	(5,480,463)	(36,396,102)
Profit after tax for the year		137,125,911	138,410,343	8,787,697	107,260,418
Profit attributable to:					
Equity holders of the Company		112,628,540	134,774,151		
Minority interests		24,497,371	3,636,192		
		137,125,911	138,410,343		
Earnings per share attributable to equity holders of the Company (sen)					
Basic	38(a)	17.35	20.77		
Diluted	38(b)	16.90	20.73		

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

Group	Attributable to equity holders of the Company										Minority interests	Total equity															
	Share capital (Note 27)		Treasury shares (Note 28)		Share premium (Note 29)		Capital redemption reserve (Note 29)		Equity compensation reserve (Note 29)				Foreign exchange reserve (Note 29)		Statutory reserve (Note 29)		Available-for-sale reserve (Note 29)		Other reserves (Note 29)		Retained profits (Note 29)		Total				
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM			RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		
	673,068,939	(29,778,856)	-	58,919,600	1,963,933	(760,513)	164,129,112	(15,113,287)	34,685,666	493,286,196	1,380,400,790	298,983,125	1,679,383,915														
Foreign currency translation gain	-	-	-	-	-	7,376,259	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,376,259	9,501,718	16,877,977	
Share of other reserves in associated companies	-	-	-	-	-	-	-	-	1,087,001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,087,001	1,087,001	
Share issue expenses	-	-	(709)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(709)	-	(709)	(709)	
Minority interest's share of other reserves in associated companies	-	-	-	-	-	-	-	-	(38,506)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38,506)	38,506	-	
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	-	-	-	7,507,682	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,507,682	917,203	8,424,885	
Realisation of other reserves on actual disposal of shares in associated company (Note 48(d))	-	-	-	-	-	-	-	-	(969,569)	651,667	(317,902)	317,902	-	-	-	-	-	-	-	-	-	-	-	(317,902)	317,902	-	
Reserve arising from share buyback by a subsidiary company	-	-	-	-	-	-	-	-	45	-	45	-	-	-	-	-	-	-	-	-	-	-	-	45	45	45	
Dilution of equity asset in a subsidiary company	-	-	-	-	-	-	-	-	-	(1,824)	(1,824)	1,824	-	-	-	-	-	-	-	-	-	-	-	(1,824)	1,824	-	
Total net (expense)/income recognised directly in equity	-	-	(709)	-	-	(7,376,259)	-	7,507,682	78,971	649,843	15,612,046	10,777,153	26,389,199														

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

Group	Attributable to equity holders of the Company										Minority interests	Total equity	
	Share capital (Note 27)	Treasury shares (Note 28)	Share premium (Note 29)	Capital redemption reserve (Note 29)	Equity compensation reserve (Note 29)	Foreign exchange reserve (Note 29)	Statutory reserve (Note 29)	Available-for-sale reserve (Note 29)	Other reserves (Note 29)	Retained profits (Note 29)			Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM			RM
Total net (expense)/income recognised directly in equity	-	-	(709)	-	-	7,376,259	-	7,507,682	78,971	649,843	15,612,046	10,777,153	26,389,199
Profit for the year	-	-	-	-	-	-	-	-	-	112,628,540	112,628,540	24,497,371	137,125,911
Total recognised (expense)/income for the year	-	-	(709)	-	-	7,376,259	-	7,507,682	78,971	113,278,383	128,240,586	35,274,524	163,515,110
Dividends (Note 39)	-	-	-	-	-	-	-	-	-	(24,335,059)	(24,335,059)	-	(24,335,059)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,912,129)	(8,912,129)
Shares issued pursuant to exercise of ESOS	3,990,400	-	100,848	-	-	-	-	-	-	-	4,091,248	-	4,091,248
Shares issued pursuant to conversion of Warrant B 2000/2010	1,605,806	-	401,452	-	-	-	-	-	-	-	2,007,258	-	2,007,258
Share buybacks by the Company	-	(2,965)	-	-	-	-	-	-	-	-	(2,965)	-	(2,965)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(1,678)	(1,678)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(658,377)	-	-	-	-	658,377	-	-	-
Distribution of shares in a listed subsidiary company	-	-	-	(58,919,600)	(211,663)	-	(1,418,719)	(34,764,637)	(107,947,225)	(203,261,844)	(100,797,220)	(304,059,064)	
Transfer to statutory reserve	-	-	-	-	-	41,948,605	-	-	-	(41,948,605)	-	-	-
As at 31 December 2009	678,665,145	(29,781,821)	501,591	1,093,893	6,615,746	206,077,717	(9,024,324)	432,992,067	1,287,140,014	224,546,622	1,511,686,636		

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

Group	Attributable to equity holders of the Company											Minority interests	Total equity
	Share capital (Note 27)	Treasury shares (Note 28)	Share premium (Note 29)	Capital redemption reserve (Note 29)	Equity compensation reserve (Note 29)	Foreign exchange reserve (Note 29)	Statutory reserve (Note 29)	Available-for-sale reserve (Note 29)	Other reserves (Note 29)	Retained profits (Note 29)	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		
	672,110,739	(29,597,121)	99,362,871	58,919,600	2,352,220	(7,726,473)	89,982,486	-	20,505,731	555,049,389	1,460,959,442	377,224,175	1,838,183,617
As previously stated													
Effects of adoption of BNM/GP8	-	-	-	-	-	-	-	4,570,486	-	30,508,000	35,078,486	36,970	35,115,456
Effects of change in accounting policy	-	-	-	-	-	-	-	-	-	22,110,386	22,110,386	-	22,110,386
As restated	672,110,739	(29,597,121)	99,362,871	58,919,600	2,352,220	(7,726,473)	89,982,486	4,570,486	20,505,731	607,667,775	1,518,148,314	377,261,145	1,895,409,459
Foreign currency translation gain	-	-	-	-	-	6,965,960	-	-	-	-	6,965,960	(892,396)	6,073,564
Share of other reserves in associated companies	-	-	-	-	-	-	-	-	18,102,689	-	18,102,689	-	18,102,689
Share issue expenses	-	-	(1,750)	-	-	-	-	-	-	-	(1,750)	-	(1,750)
Minority interest's share of other reserves in associated companies	-	-	-	-	-	-	-	-	(3,922,988)	-	(3,922,988)	6,879,562	2,956,574
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	-	-	-	(19,683,773)	-	-	(19,683,773)	-	(19,683,773)
Reserve arising from share buy back by a subsidiary company	-	-	-	-	-	-	-	-	234	-	234	-	234
Total net (expense)/income recognised directly in equity	-	-	(1,750)	-	-	6,965,960	-	(19,683,773)	14,179,935	-	1,460,372	5,987,166	7,447,538

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

Group	Attributable to equity holders of the Company										Minority interests	Total equity			
	Share capital (Note 27)	Treasury shares (Note 28)	Share premium (Note 29)	Capital redemption reserve (Note 29)		Equity compensation reserve (Note 29)		Foreign exchange reserve (Note 29)	Statutory reserve (Note 29)	Available-for-sale reserve (Note 29)			Other reserves (Note 29)	Retained profits (Note 29)	
				RM	RM	RM	RM								RM
Total net (expense)/income recognised directly in equity	-	-	(1,750)	-	-	-	-	6,965,960	-	(19,683,773)	14,179,935	-	1,460,372	5,987,166	7,447,538
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	134,774,151	134,774,151	3,636,192	138,410,343
Total recognised (expense)/income for the year	-	-	(1,750)	-	-	-	-	6,965,960	-	(19,683,773)	14,179,935	134,774,151	136,234,523	9,623,358	145,857,881
Dividends (Note 39)	-	-	-	-	-	-	-	-	-	-	-	(72,036,776)	(72,036,776)	-	(72,036,776)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,523,731)	(11,523,731)
Shares issued pursuant to exercise of ESOS	958,200	-	287,574	-	-	-	-	-	-	-	-	-	1,245,774	-	1,245,774
Share buybacks by the Company	-	(181,735)	-	-	-	-	-	-	-	-	-	-	(181,735)	-	(181,735)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,826,740)	(5,826,740)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	-	(388,287)	-	-	-	-	-	388,287	-	-	-
Distribution of shares in a listed subsidiary company	-	-	(99,648,695)	-	-	-	-	-	-	-	-	(103,360,615)	(203,009,310)	(128,501,564)	(331,510,874)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	74,146,626	-	-	(74,146,626)	-	-	-
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	-	57,950,657	57,950,657
As at 31 December 2008	673,068,939	(29,778,856)	-	58,919,600	1,963,933	(760,513)	164,129,112	(15,113,287)	34,685,666	493,286,196	1,380,400,790	298,983,125	1,679,383,915		

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

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

Company

	Distributable		Non-distributable			Distributable	Total
	Share capital (Note 27)	Treasury shares (Note 28)	Share premium (Note 29)	Capital redemption reserve (Note 29)	Equity compensation reserve (Note 29)	Retained profits (Note 29)	
	RM	RM	RM	RM	RM	RM	
As at 1 January 2009	673,068,939	(29,778,856)	-	58,919,600	1,752,270	304,205,580	1,008,167,533
Share issue expenses	-	-	(709)	-	-	-	(709)
Total expense recognised directly in equity	-	-	(709)	-	-	-	(709)
Profit for the year	-	-	-	-	-	8,787,697	8,787,697
Total (expense)/income recognised for the year	-	-	(709)	-	-	8,787,697	8,786,988
Dividends (Note 39)	-	-	-	-	-	(24,335,059)	(24,335,059)
Shares issued pursuant to exercise of ESOS	3,990,400	-	100,848	-	-	-	4,091,248
Shares issued pursuant to conversion of Warrant B 2000/2010	1,605,806	-	401,452	-	-	-	2,007,258
Share buybacks by the Company	-	(2,965)	-	-	-	-	(2,965)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(658,377)	658,377	-
Distribution of shares in a listed subsidiary company	-	-	-	(58,919,600)	-	(58,897,761)	(117,817,361)
As at 31 December 2009	678,665,145	(29,781,821)	501,591	-	1,093,893	230,418,834	880,897,642
As at 1 January 2008							
As previously reported	672,110,739	(29,597,121)	99,362,871	58,919,600	1,945,930	405,872,374	1,208,614,393
Effects of adoption of BNM/GP8	-	-	-	-	-	256,400	256,400
As restated	672,110,739	(29,597,121)	99,362,871	58,919,600	1,945,930	406,128,774	1,208,870,793
Share issue expenses	-	-	(1,750)	-	-	-	(1,750)
Total expense recognised directly in equity	-	-	(1,750)	-	-	-	(1,750)
Profit for the year	-	-	-	-	-	107,260,418	107,260,418
Total (expense)/income recognised for the year	-	-	(1,750)	-	-	107,260,418	107,258,668
Dividends (Note 39)	-	-	-	-	-	(72,036,776)	(72,036,776)
Shares issued pursuant to exercise of ESOS	958,200	-	287,574	-	-	-	1,245,774
Share buybacks by the Company	-	(181,735)	-	-	-	-	(181,735)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(193,660)	193,660	-
Distribution of shares in a listed subsidiary company	-	-	(99,648,695)	-	-	(137,340,496)	(236,989,191)
As at 31 December 2008	673,068,939	(29,778,856)	-	58,919,600	1,752,270	304,205,580	1,008,167,533

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		191,022,053	168,186,520	14,268,160	143,656,520
Adjustments for:					
Interest income		(24,993,751)	(19,478,592)	-	(89,508)
Interest expense		7,995,353	17,057,411	3,974,721	5,620,077
Loss/(gain) on disposal of:					
- quoted shares in an associated company	32(b)	2,676,352	-	-	-
- unquoted shares in an associated company	32(b)	-	-	(6,577,105)	-
- unquoted subsidiary company	32(b)	-	-	2,258,937	-
Gross dividend income	32(c)	(2,774,269)	(3,095,717)	(14,848,949)	(166,805,614)
Unrealised (gain)/loss on:					
- revaluation of securities held-for-trading	32(d)	(2,626,424)	11,987,140	(716,739)	10,213,174
- revaluation of derivative financial instruments	32(d)	17,207,607	(533,399)	(11,165)	11,165
- foreign exchange	32(f)	(5,263,504)	(6,589,289)	(159,170)	(486,923)
Net gain on disposal of equipment	32(g)	(242,619)	(109,344)	-	-
Gain on revaluation of investment property	32(g)	-	(47,703,927)	-	-
Reversal of provision for legal compensation and interest costs	32(g)	-	(59,218,542)	-	-
Negative goodwill on share buy back by a subsidiary company		(902)	-	-	-
Depreciation and amortisation	33(c)	14,976,623	15,047,489	605	605
Equipment written off		155,868	143,735	-	-
Provision for interest cost for legal suits		-	1,115,650	-	-
(Write back of)/allowance for bad and doubtful debts:					
- receivables		(1,572,891)	1,275,099	-	-
- loans, advances and financing		(420,172)	13,104,304	-	-
Bad debts written off	34,35	490,689	106,223	-	-
BalDS expenses		-	166,078	-	-
(Reversal of)/allowance for impairment losses	36	(7,682,162)	43,238,152	-	1,427,044
Transfer to profit equalisation reserves		669,000	90,000	-	-
Share of results after tax of associated companies		11,097,053	23,689,423	-	-
Operating profit/(loss) before working capital changes		200,713,904	158,478,414	(1,810,705)	(6,453,460)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONT'D)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
(Increase)/Decrease in operating assets:					
Cash held in segregated accounts		(260,976,595)	91,850,773	-	-
Deposits and placements with banks and other financial institutions		26,046,983	(26,046,983)	-	-
Securities available-for-sale		(1,476,033,957)	(113,247,908)	-	-
Securities held-for-trading		(155,579,764)	82,503,964	(19,417,392)	17,045,900
Securities held-to-maturity		(394,601,573)	(526,636,068)	-	-
Derivative financial assets		(43,376,195)	143,165,005	-	-
Loans, advances and financing		26,587,677	227,813,117	-	-
Accrued billings		-	5,895,227	-	-
Property development costs		-	(25,612,755)	-	-
Trade and other receivables		(1,938,228,774)	2,398,294,359	(81,189)	28,873
Security deposits		(1,543,708)	70,749	-	-
Amounts due from subsidiary companies		-	-	18,432,427	(121,548)
Statutory and reserve deposits with Central Banks		33,160,741	(17,303,743)	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		1,985,063,766	704,626,685	-	-
Deposits and placements of banks and other financial institutions		(273,692,887)	40,323,761	-	-
Obligations on securities sold under repurchase agreements		(248,511)	7,880	-	-
Derivative financial liabilities		39,635,518	(164,590,935)	-	-
Trade and other payables		2,130,408,443	(2,463,579,187)	(20,872)	(82,835)
Progress billings		-	4,573,814	-	-
Amounts due to:					
- associated companies		(2,320,091)	2,633,750	-	-
- subsidiary companies		-	-	24,000,758	(16,546,524)
Cash (used in)/generated from operations		(104,985,023)	523,219,919	21,103,027	(6,129,594)
Income tax paid		(19,249,871)	(88,943,188)	(1,168)	-
Refund of income tax		529,258	1,197,166	-	311,361
Net cash (used in)/generated from operating activities		(123,705,636)	435,473,897	21,101,859	(5,818,233)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONT'D)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional investment in existing:					
- subsidiary companies		-	-	(7,996,930)	(1,006,153)
- associated companies		(1,470,000)	(30,460,784)	-	-
Net cash inflow from acquisition of subsidiary companies	14	-	90,742	-	-
Dividend received		2,761,574	3,098,612	11,157,487	123,456,352
Interest received		593,862	1,184,222	-	-
Payment of trading rights		-	(898,470)	-	-
Payment for trademarks		(9,131)	(8,015)	(9,131)	-
Proceeds from disposal of:					
- equipment		590,628	4,400,303	-	-
- unquoted subsidiary company		-	-	2,241,063	-
- shares in associated companies		-	11,122,450	7,777,105	-
Capital repayment from a subsidiary company in Members' Voluntary Liquidation		-	-	80,000	-
Purchase of:					
- equipment		(13,915,714)	(24,533,443)	-	-
- software licences		(3,157,706)	(3,185,495)	-	(3,955)
Net cash outflow of shares distribution of a listed subsidiary company		(36,228,352)	(44,111,980)	-	-
Net cash (used in)/generated from investing activities		(50,834,839)	(83,301,858)	13,249,594	122,446,244

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONT'D)

		Group		Company	
	Note	2009	2008	2009	2008
		RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- minority interests		(8,912,129)	(11,523,731)	-	-
- shareholders	39	(24,335,059)	(72,036,776)	(24,335,059)	(72,036,776)
Net drawdown/(repayment) of revolving credits		27,131,900	(39,213,482)	-	-
Interest paid		(7,995,353)	(13,731,995)	(5,705,896)	(3,407,856)
Repayment of term loans		(17,231,000)	(21,519,000)	(17,231,000)	(32,769,000)
Repayment of finance lease payables		(507,559)	(782,850)	-	-
Repayment of BalDS		-	(25,000,000)	-	-
Share buybacks by:					
- the Company	28	(2,965)	(181,735)	(2,965)	(181,735)
- a subsidiary company		(731)	(5,702,457)	-	-
Payment of BalDS profits and expenses		-	(1,780,300)	-	-
Proceeds from issuance of:					
- subordinated notes	26	-	100,000,000	-	-
- shares		6,098,505	1,245,774	6,098,506	1,245,774
Share issue expenses		(709)	(1,750)	(709)	(1,750)
Net cash used in financing activities		(25,755,100)	(90,228,302)	(41,177,123)	(107,151,343)
Net (decrease)/increase in cash and cash equivalents		(200,295,575)	261,943,737	(6,825,670)	9,476,668
Effects of exchange rate changes		16,143,505	5,481,639	-	-
Cash and cash equivalents at beginning of year		1,010,730,381	743,305,005	12,674,060	3,197,392
Cash and cash equivalents at end of year		826,578,311	1,010,730,381	5,848,390	12,674,060
Cash and cash equivalents at end of year comprised:					
Cash, bank balances and deposits					
- General accounts	5(a)	254,818,869	354,500,381	5,848,390	12,674,060
Money at call and deposits placements with maturities within one month	5(c)	571,759,442	656,230,000	-	-
		826,578,311	1,010,730,381	5,848,390	12,674,060

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

1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated under the Companies Act, 1965, domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

The Company is an investment holding company. The principal activities of the subsidiary and associated companies are described in Note 47 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2010.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared on a historical costs basis, except for investment properties, securities held-for-trading and securities available-for-sale that have been stated at their fair values. The financial statements are presented in Ringgit Malaysia ("RM") unless otherwise indicated.

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of Companies Act, 1965 and applicable Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines.

(b) FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") issued but not yet effective

The Group and the Company had not adopted the following FRSs, amendments to FRSs, IC Interpretations, TR and SOP which have effective dates as follows:

FRSs, Amendments to FRSs, IC Interpretations, TR and SOP	Effective for financial periods beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards 1 July 2010
FRS 3	Business Combinations 1 July 2010
FRS 4	Insurance Contracts 1 January 2010
FRS 7	Financial Instruments: Disclosures 1 January 2010
FRS 8	Operating Segments 1 July 2009
FRS 101	Presentation of Financial Statements (revised in 2009) 1 January 2010
FRS 123	Borrowing Costs 1 January 2010
FRS 127	Consolidated and Separate Financial Statements 1 July 2010
FRS 139	Financial Instruments: Recognition and Measurement 1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards 1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations 1 January 2010 and 1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued operations 1 January 2010 and 1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures 1 January 2010
Amendments to FRS 8	Operating Segments 1 January 2010
Amendments to FRS 107	Statements of Cash Flows 1 January 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors 1 January 2010

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(b) FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") issued but not yet effective (Cont'd)

FRSs, Amendments to FRSs, IC Interpretations, TR and SOP	Effective for financial periods beginning on or after	
Amendments to FRS 110	Events After the Reporting Period	1 January 2010
Amendments to FRS 116	Property, Plant and Equipment	1 January 2010
Amendments to FRS 117	Leases	1 January 2010
Amendments to FRS 118	Revenue	1 January 2010
Amendments to FRS 119	Employee Benefits	1 January 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendments to FRS 123	Borrowing Costs	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 128	Investments in Associates	1 January 2010
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131	Interests in Joint Ventures	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2010
Amendments to FRS 136	Impairment of Assets	1 January 2010
Amendments to FRS 138	Intangible Assets	1 January 2010 and 1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010 and 1 July 2010
Amendments to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
SOP i-1	Financial Reporting from an Islamic Perspective	1 January 2010

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(b) FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") issued but not yet effective (Cont'd)

FRS 4, Amendments to FRS 120, FRS 129 and FRS 140 and IC Interpretations 12, 13, 14 and 15 are not applicable to the Group and the Company. The other FRSs, amendments to FRSs, IC Interpretations, TR and SOP above are expected to have no significant impact on the financial statements upon their initial application except for FRS 7, FRS 101 (revised in 2009) and FRS 139. The Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 7 and FRS 139.

The adoption of FRS 101 (revised in 2009) will have the following impacts to the financial statements upon its initial application:

- Entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.
- When entity restated its comparative figures in financial statements or retrospectively applies a new accounting policy, a statement of financial position must be presented as at the beginning of the earliest comparative period in a complete set of financial statements.
- Entities must disclose amount reclassified to profit or loss that were previously recognised in other comprehensive income and the income tax relating to each component of other comprehensive income, either in the statement of comprehensive income or in the notes;
- New terminologies will replace 'balance sheet' with 'statement of financial position', and 'cash flow statement' with 'statement of cash flows'.

(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 judgements. Estimates and judgements are continually evaluated and are based on past experiences, reasonable expectations of future events and other factors.

(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.

Underlying securities of the Basket Call Warrants

OSK Investment Bank Berhad ("OSKIB") had since 30 November 2005 offered Zero-Strike Basket Call Warrants ("Basket CW") that were listed on Bursa Securities as disclosed in Note 49. The underlying securities of the Basket CW are not recognised in the financial statements of the Group for accounting purposes as substantially the risks and rewards incidental to ownership of the underlying securities have been transferred to the Basket CW holders.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its property portfolio classified as property and equipment or investment property. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are deemed to be leased out on operating leases.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates (Cont'd)

(i) Judgements (Cont'd)

Classification between investment properties and property and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Classification of investments as held-for-trading ("HFT"), held-to-maturity ("HTM") or available-for-sale ("AFS")

Management adopts the following judgements in classification of its investments:

1) Securities HFT

Management classifies securities HFT as any money market instruments, quoted securities or unquoted debt securities that are acquired and held for the purpose of selling or repurchase in the short term. These securities are normally for a period of less than one year or not exceeding the remaining duration of related unexpired call warrants issued.

2) Securities HTM

Management classifies Securities HTM as any money market instruments or unquoted debt securities that are acquired with the intention and ability to hold until maturity.

3) Securities AFS

Management classifies Securities AFS as any money market instruments, quoted securities or unquoted debt securities that are not classified as HFT or HTM.

During the current year, OSKIB reclassified certain investments that were previously classified as Securities HFT as at 31 December 2008 to Securities AFS as at 31 December 2009 as disclosed in Note 54.

(ii) Key sources of 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 experiences 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 within the next twelve months from 31 December 2009 are discussed below:

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates (Cont'd)

(ii) Key sources of estimation uncertainty (Cont'd)

Impairment assessment 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. The detailed disclosure on the assessment of impairment of goodwill and other intangible assets are disclosed in Note 19.

Fair value estimation of unquoted securities HFT, unquoted securities AFS and unquoted derivative financial instruments

The fair value of securities and derivatives that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to Bondweb prices, bond trading history and traded prices, bond rating and outlook, independent dealer quotes for over-the-counter options and discounted cash flow method.

Allowance for loan losses, bad and doubtful debts

The Group review the doubtful loans, advances and financing at each reporting date to assess whether allowance for loan losses, bad and doubtful debts should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount from the doubtful loans when determining the level of allowance required.

The Group have adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months or when the value of the collateral shares has fallen below 130% of the outstanding balances for share margin financing. Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate and conform with BNM guidelines. In addition to the specific allowances made, the Group also make general allowance against exposure not specifically identified based on a certain percentage of gross loan, advances and financing less specific allowance. Such estimates are based on assumptions from a number of factors and actual results may differ, resulting in future changes to the allowance.

Depreciation of computer equipment

The cost of computer equipment is depreciated on a straight line basis over the computer 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 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.

Valuation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the income statement. The investment property of the Group is held to earn rental income or for capital appreciation or both. The Group engaged independent valuation specialists to determine fair value as at 31 December 2008. The fair value was determined primarily using the comparison method of valuation, which entails comparing recorded transactions of similar properties in the vicinity.

For the financial year ended 31 December 2009, no independent external valuation was performed. The fair value is determined by reference to an indicative value obtained from an independent valuer.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

(c) Significant accounting judgements and estimates (Cont'd)

(ii) Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary companies, basis of consolidation and associated companies

(i) Subsidiary companies

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 there from.

In the Company's separate financial statements, investment in subsidiary companies are stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements include the financial statements of the Company 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, other than non-application of BNM/GP8 requirements at the subsidiary companies' entity level if not requirement by their applicable Financial Reporting Standards. Appropriate group adjustments are made to conform with group accounting policies where required.

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

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 Company.

Minority interests in the net income of the consolidated subsidiary companies for the reporting 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 Company.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the 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 newly acquired subsidiary company are measured at their fair values at the date of acquisition. The excess of cost of acquisition over the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition represents goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(e)(i). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Subsidiary companies, basis of consolidation and associated companies (Cont'd)

(iii) 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 using 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.

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 associated companies.

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, other than non-application of BNM/GP8 requirements at the associated companies' entity level if not requirement by their applicable Financial Reporting Standards. Appropriate group adjustments are made to confirm with group accounting policies where required.

(b) Property and equipment and depreciation

Property 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 the Company 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 period in which they are incurred.

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

Freehold land is not depreciated. Long term leasehold land are those with an unexpired period of 50 years or more and short term leasehold land are those with an unexpired period of less than 50 years, both classified as prepaid land lease payments (Note 3(h)(ii)). All leasehold land are depreciated over the period of lease (from 40 to 999 years).

Depreciation of other property 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:

Freehold and leasehold buildings	2%
Machinery	20%
Motor vehicles	15% - 20%
Office equipment	15% - 33 ¹ / ₃ %
Computer equipment	15% - 33 ¹ / ₃ %
Furniture and fittings	10% - 15%
Renovations	10% - 15%

Building in progress is not depreciated until it is ready for their intended use.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment and depreciation (Cont'd)

An item of property 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) Investment property

Investment property, principally comprises of property held for long-term rental yields or capital appreciation or both and is not occupied by the Group.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by reference to market evidence of transaction prices for similar property and is performed by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Gain or loss arising from changes in the fair value of investment property is recognised in profit or loss in the year in which they arise.

Investment property is derecognised when either it has been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

(d) Investments in subsidiary companies and associated companies

Investments in subsidiary companies and associated companies are stated at cost less any impairment losses. Impairment loss is recognised in the income statement of the Company.

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

(e) Intangible assets

(i) Goodwill on consolidation, purchased goodwill and negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the assets, liabilities and contingent liabilities of the acquired subsidiary company/associated company/business at the date of acquisition. Goodwill on consolidation is stated at cost less accumulated impairment. Goodwill on acquisition of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies is included in 'investments in associated companies'. Purchased goodwill represents the excess of the purchase price over the fair value of the attributable net assets of the business acquired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Accumulated amortisation prior to the adoption of FRS 136 on 1 January 2006 had been netted off against the cost of goodwill on consolidation and cost of purchased goodwill.

Goodwill on consolidation and purchased goodwill are 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.

(ii) Trading rights and memberships

The trading rights with The Stock Exchange of Hong Kong, Hong Kong Futures Exchange and the memberships in the Chinese Gold and Silver Exchange Society are recognised as intangible assets in the balance sheets. Trading rights and membership 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 income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (Cont'd)

(iii) Merchant bank licence

This represents contribution to Bank Negara Malaysia ("BNM") for a merchant bank licence to transform OSKIB into an Investment Bank. Merchant bank licence has indefinite useful life and is stated at cost less any 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 income statement.

(iv) Software licences

The Group has developed the following criteria to identify computers software or licence to be classified as 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 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.

Software licences acquired separately are measured on initial recognition at cost. Following initial recognition, software licences are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful lives of all software licences 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 licences may be impaired. The amortisation period and the amortisation method for software licences are reviewed at least at each balance sheet date. The useful life of software licences classified as intangible assets is 6 to 7 years.

(f) Impairment of 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 charged 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 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 of an asset, other than goodwill, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Cash flow statements and cash and cash equivalents

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

Cash and cash equivalents comprise cash on hand and at banks inclusive of money at call and deposit placements with maturities within one month 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.

(h) Finance leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Lease of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating lease, with the following exceptions:

- Property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are proportioned between the finance costs and the reduction of the outstanding liability. Finance cost, which represent the difference between the total leasing commitments and their fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as in Note 3(b).

(iii) Operating lease - the Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives as provided by the lessor is recognised as a reduction of rental expense over the lease term on straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Finance leases (Cont'd)

(iv) Operating lease - the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(i) 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.

(j) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Transactions in foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included as profit or loss in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised as profit or loss in the income statement.

Where the Group has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items are recognised in equity in the consolidated financial statements, irrespective of the currency of the monetary item.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currencies (Cont'd)

(iii) Translation of foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

The exchange rates used in translation are as follows:

	2009	2008
Closing rate		
United States Dollar ("USD")	3.42450	3.46400
Singapore Dollar ("SGD")	2.44010	2.40700
Hong Kong Dollar ("HKD")	0.44160	0.44700
Great Britain Pound ("GBP")	5.50010	4.99890
Japanese Yen ("JPY")	0.03708	0.03833
Indonesian Rupiah ("IDR")	0.00036	0.00032
Khmer Riels ("KHR")	0.00082	0.00085
New Taiwan Dollar ("TWD")	0.10654	0.10572
Average rate		
United States Dollar ("USD")	3.51869	3.33392
Singapore Dollar ("SGD")	2.42507	2.35969
Hong Kong Dollar ("HKD")	0.45393	0.42832
Great Britain Pound ("GBP")	5.47986	6.16680
Japanese Yen ("JPY")	0.03770	0.03238
Indonesian Rupiah ("IDR")	0.00034	0.00034
Khmer Riels ("KHR")	0.00085	0.00084
New Taiwan Dollar ("TWD")	0.10674	0.10562

(k) Operating revenue

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Recognition of revenue and other income

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) 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 relating to the margin financing business is dealt with in accordance with the relevant rules of Bursa Securities.

Interest income on loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Where an account classified as non-performing, interest accrued and recognised as income prior to the date that the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable in the balance sheet. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Loans are deemed to be non-performing where repayments are in arrears for more than three months from first day of default or after maturity date.

Income from the Islamic Banking Scheme business is recognised on the accrual basis in compliance with Bank Negara Malaysia Guidelines.

Interest income from fixed income instruments, short-term placements and fixed deposits with licensed financial institutions, including amortisation of premium and accretion of discount, are accrued on a time-apportioned basis. Interest income on securities are recognised on an effective yield basis.

- (ii) 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.
- (iii) Arrangement fees, agency fees, placement fees and underwriting commission are recognised as income based on the terms of contractual arrangements.
- (iv) Fees from advisory and corporate finance activities are recognised as income on the completion of each stage of the assignment.
- (v) Service charges from the sale of unit trusts is recognised upon the allotment of units, net of cost of units sold.
- (vi) Fees earned from the management of unit trust funds are recognised on an accrual basis.
- (vii) Other fees and commissions on services and facilities extended to customers are recognised on the inception of such transactions.
- (viii) Will writing fees, custodial and service charges on trustee and nominees services are recognised on an accrual basis upon the performance of services.
- (ix) Gain or loss on disposal of investments is recognised upon the transfer of risks and rewards of ownership.
- (x) 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.
- (xi) Dividend income is recognised when the right to receive payment is established.
- (xii) Rental income is recognised on an accrual basis rateable over the tenancy period.
- (xiii) Revenue from the sales of oil palm fresh fruit bunches is recognised when the goods are invoiced.
- (xiv) Other revenue is recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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 and Singapore make contributions to the respective statutory pension schemes, the Employees Provident Fund ("EPF") and the Central Provident Fund ("CPF"). The Hong Kong subsidiary companies make contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinances. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Share-based compensation

The Group adopts an equity-settled, share-based compensation scheme, Executive Share Option Scheme ("ESOS") as disclosed in Note 27(b). The fair value of the share options issued by the Company to the Group's employees including Directors of the Group is recognised as an expense in the income statement at the date of grant which is also the vesting date, with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the 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 ESOS. The fair value of the share option is computed using a binomial model.

Fair value of ESOS shares that have been exercised or forfeited are transferred to retained profits of the Group in the year the ESOS are exercised or forfeited.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Treasury shares

Treasury shares are shares repurchased and accounted for using the treasury stock method. The treasury shares are measured and carried at the cost of purchase which comprise the amount of the consideration paid and direct attributable costs.

The carrying amount of the treasury shares is offset against equity. The excess of the carrying amount over the share premium account is considered as a reduction of any other reserves.

The treasury shares can either be distributed as share dividends or reissued by resale in the open market. Where treasury shares are distributed as shares dividends, the cost of the treasury shares is accounted for as a reduction of the share premium and/or distributable reserves in accordance with subsection 3D of Section 67 of the Companies Act, 1965. Where treasury shares are resold in the open market, no gain or loss is recognised and the differences between the sales considerations and the carrying amount of the treasury shares is recorded as a movement in equity.

Cancellation of treasury shares is dealt with in accordance with Section 67A of the Companies Act, 1965. The issued and paid-up share capital of the Company is diminished by the shares cancelled and the same amount of which is transferred to the capital redemption reserve account.

(p) Financial instruments

Financial instruments are recognised in the balance sheet when the Group or the Company 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 or the Company 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 equity financial assets are recognised on the trade date and all regular way purchases and sale of fixed income and money market financial assets are recognised on the settlement 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.

(i) Transferable golf club memberships and admission fee

The transferable golf memberships and Guarantee Fund and Admission Fee paid to the Hong Kong Securities Clearing Company Limited ("HKSCC") are stated at cost less any impairment losses.

(ii) Securities portfolio

The Group has classified and accounted for its securities portfolio as follows:

- **Securities held-for-trading ("HFT")**

Securities are classified as HFT when held for purpose of selling or repurchasing and shall be stated at fair value. Any gain or loss arising from a change in the fair value will be recognised in the income statement.

Interest is calculated using the effective interest method and is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial instruments (Cont'd)

(ii) Securities portfolio (Cont'd)

• **Securities held-to-maturity ("HTM")**

HTM investments are securities with fixed payments and maturity and the Group has positive intention and ability to hold to maturity. These investments are measured at amortised cost using the effective interest method. Gain or loss is recognised in income statement upon disposal. Amortisation accretion of premium/discount and impairment loss are recognised in the income statement.

• **Securities available-for-sale ("AFS")**

Securities that are not classified as the two categories above are classified as securities AFS and are measured at fair value (or at cost when fair value cannot be determined with reasonable certainty) less any impairment loss. Any gain or loss arising from a change in the fair value will be recognised directly in equity through the statement of changes on equity and any impairment losses and foreign exchange gains and losses are recognised in income statement.

Interest is calculated using the effective interest method and is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the right to receive payment is established.

(iii) Impairment of securities portfolio

The Group assesses at each balance sheet date whether there is any objective evidence that a security or group of securities (other than securities held-for-trading) is impaired.

• **Securities HTM**

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

• **Securities AFS**

For securities AFS in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as AFS recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial instruments (Cont'd)

(iv) Accounting for derivative financial instruments

• **Over-the-counter ("OTC") option**

OTC options are initially recognised at cost plus attributable transaction costs on the date a derivative contract is entered into. Subsequently, OTC options are measured at indicative values 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.

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

• **Call Warrants ("CW")**

Non-collateralised American-style cash settled call warrants over certain quoted shares ("CW") are initially recognised at the initial offer price received by OSKIB from CW holders upon the sale of the CW that are quoted on Bursa Securities. The CW liabilities are subsequently remeasured at market value.

Realised 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 OSKIB being less than the initial offer price of the CW.

CW liabilities are extinguished and realised 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 OSKIB exceeding the initial offer price of the CW.

• **Structured Investments**

Structured investments are initially recognised at the portion of reinvested investment, net of relevant transaction costs and fee earned by OSKIB. The structured investment liabilities are subsequently remeasured at indicative value, measured based on the expected payout that is dependent on the cumulative return of a certain basket of quoted equity securities in accordance with the formula as stated in the terms of the structured investment.

• **Interest rate swap**

Interest rate swaps are measured at indicative values computed using the Bootstrap method based on the market interest rate for interest rate swaps of a similar period to maturity at the balance sheet date.

• **Foreign exchange spot and forward contracts**

Foreign exchange spot and forward contracts are measured at indicative value computed based on the foreign currency exchange rates and forward points for spot and forward contracts with a similar period to maturity at the balance sheet date.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial instruments (Cont'd)

(v) Receivables

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 and suspension of interest of Malaysian investment banking subsidiary are in accordance with the Rule 1104 of Bursa Malaysia Securities Berhad.

(vi) Payables

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 Group 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 Group.

(vii) Statutory deposits with Bank Negara Malaysia and National Bank of Cambodia, deposits and placements with/of banks and financial institutions, deposits from customers

These deposits are stated at placement values and adjusted for accrued interest.

(viii) Loans, advances and financing and allowance for loan, advances and financing

Loans, advances and financing are stated at cost less any allowance for losses on loan, advances and financing.

Allowance for loan losses 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.

The Group has adopted certain criterias in identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than 3 months, or when the value of the collateral shares has fallen below 130% of the outstanding balances for share margin financing.

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 banking and capital financing subsidiary companies against risks which are not specifically identified.

An uncollectible loan, advances and financing or portion of a loan, advances 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") for the Malaysian investment banking and capital financing subsidiaries; and in conformity with the minimum regulatory requirements of the National Bank of Cambodia for the Cambodian banking subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial instruments (Cont'd)

(ix) Repurchase agreements

Securities purchased under resale agreements are securities which the Group 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 Group 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.

(x) Interest-bearing borrowings

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(xi) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period 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.

(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) Profit Equalisation Reserve ("PER") on Islamic Banking Operations

PER is the amount provided in order to maintain a certain level of return for deposits in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies were established to ensure adequate financial resources 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 for the investment bank subsidiary company.

The Group's stockbroking business in Malaysia is supervised by the Securities Commission and Bursa Securities. The Group's stockbroking business in Singapore, Hong Kong and Indonesia and banking activities in Cambodia are supervised by their respective authority bodies. An investment bank subsidiary company is required to maintain the Risk Weighted Capital Ratio in accordance with the rules of Bank Negara Malaysia.

The Group's lending activities in an investment bank subsidiary company 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 and suspension of interest income in this subsidiary company are made in accordance with BNM/GP3 guidelines.

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. Credit risk is minimised via emphasising the Group's associations with business partners of high credit worthiness. A credit approval authority limit structure approved by the Board of Directors is in place for granting credit facilities from the Group. Trade and financial receivables are monitored on a timely 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 Bursa Securities (for the Malaysian investment banking subsidiary company) or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts. 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.

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

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments.

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 (CONT'D)

(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 market risk of the investments. Appropriate hedging strategies in relation to derivative products approved by the Investment Committee and/or the Board of Directors are employed.

Management continually evaluates risk arising from adverse movements in market prices or rates. Market risk profiles are regularly reported to the various levels of management, the Asset and Liability Management Committee, the Risk Management Committee, the Investment Committee, the Credit Lending Committee and the Executive Committee of an investment banking subsidiary.

In respect of the Group's property investment activities, market risk arises from changes in the state of domestic property prices.

The Group minimises its exposure to adverse fluctuation in property value by continuous monitoring of the state of the property market. Allowance for impairment losses will be made in the income statement when there is adverse changes in fair values of these properties. 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's exposure to commodity price risk through the sale of oil palm fresh fruit of the Group is minimal.

External conditions such as global and domestic economic climates that are generally unpredictable and uncontrollable may still 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 respective financial institutions' base lending rates or cost of funds are set by the Group to reduce the impact of an upward change in interest rates while enabling 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 has some investments in financial instruments where the value or yield will change in accordance to market interest rate. 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.

(f) Currency risk

The currency risk is the risk that the value of a financial instrument including derivatives will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any 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 held-for-trading 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 subsidiaries with Singapore Dollar, Hong Kong Dollar, Indonesian Rupiah and Cambodian Khmer Riel as functional currencies are recorded and disclosed as foreign exchange reserve as part of shareholders' equity of the Group. The Group does not hedge the value of its foreign currency denominated investments in subsidiaries.

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 as the Ringgit Malaysia is currently stable in comparison to other currencies where the Group has a long term interest via its overseas investment.

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4. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(f) Currency risk (Cont'd)

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. CASH AND SHORT TERM FUNDS

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
(a) General accounts					
Cash and bank balances with banks and other financial institutions		152,239,214	57,666,986	2,836,290	31,860
Current accounts:					
- Bank Negara Malaysia		4,123,613	1,637,904	-	-
- National Bank of Cambodia	(i)	3,550,388	5,546,848	-	-
Deposits with licensed banks		94,905,654	289,648,643	3,012,100	12,642,200
		<u>254,818,869</u>	<u>354,500,381</u>	<u>5,848,390</u>	<u>12,674,060</u>
(b) Segregated accounts	(ii)				
Balances with banks and other financial institutions		256,879,114	111,943,650	-	-
Deposits with:					
- licensed banks		487,731,481	411,690,350	-	-
- licensed investment banks		40,000,000	-	-	-
		<u>784,610,595</u>	<u>523,634,000</u>	<u>-</u>	<u>-</u>
(c) Money at call and deposits placements with maturities within one month					
Licensed banks		138,159,442	375,050,000	-	-
Licensed investment banks		30,000,000	100,000,000	-	-
Bank Negara Malaysia		403,600,000	181,180,000	-	-
		<u>571,759,442</u>	<u>656,230,000</u>	<u>-</u>	<u>-</u>
		1,611,188,906	1,534,364,381	5,848,390	12,674,060

(i) Current accounts with National Bank of Cambodia include settlement and compulsory deposits.

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

NOTES TO THE FINANCIAL STATEMENTS
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6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009	Group
	RM	2008
		RM
Money at call and deposit placements with remaining maturities of more than one month:		
Licensed banks	50,000,000	26,046,983
Licensed investment bank	-	50,000,000
	50,000,000	76,046,983

7. SECURITIES PORTFOLIO

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) Securities held-for-trading				
At fair value				
Money market instruments:				
Malaysian Government Securities	-	29,734,000	-	-
Quoted securities:				
Shares, exchange traded funds and warrants				
- in Malaysia	72,620,044	13,514,696	11,266,356	4,301,852
- outside Malaysia	38,240,680	5,253,285	14,329,369	1,530,282
Accumulated impairment losses	-	(1,798,152)	-	(798,152)
Trust units in Malaysia	2,846,925	166,535	-	-
	113,707,649	17,136,364	25,595,725	5,033,982
Unquoted securities:				
Private debt securities outside Malaysia	89,956,682	-	-	-
Total	203,664,331	46,870,364	25,595,725	5,033,982
(b) Securities held-to-maturity				
At amortised cost				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	12,410,168	74,095,356	-	-
Cagamas bonds	5,059,128	-	-	-
Malaysian Government Investment Issue	155,830,723	70,323,086	-	-
Negotiable instruments of deposit	440,000,000	140,000,000	-	-
	613,300,019	284,418,442	-	-
Unquoted securities:				
Private and Islamic debt securities	410,795,524	342,260,779	-	-
Total	1,024,095,543	626,679,221	-	-

NOTES TO THE FINANCIAL STATEMENTS
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7. SECURITIES PORTFOLIO (CONT'D)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(c) Securities available-for-sale				
At fair value				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	533,278,577	67,456,347	-	-
Cagamas bonds	12,116,700	5,032,000	-	-
Khazanah bonds	-	29,367,000	-	-
Malaysian Government Investment Issue	137,311,500	60,565,000	-	-
Malaysian Government Securities	574,598,711	232,195,864	-	-
Negotiable instruments of deposit	130,698,716	31,240,006	-	-
	<u>1,388,004,204</u>	<u>425,856,217</u>	<u>-</u>	<u>-</u>
Quoted securities:				
Shares and warrants				
- in Malaysia	962,799	8,316,234	-	-
- outside Malaysia	91,532	-	-	-
USD Class Bonds outside Malaysia	-	183,938	-	-
	<u>1,054,331</u>	<u>8,500,172</u>	<u>-</u>	<u>-</u>
Unquoted securities:				
Shares and warrants				
- in Malaysia	2,855,000	2,855,000	-	-
- outside Malaysia	8,222,203	68,604,154	-	-
Private and Islamic debt securities	1,355,251,877	816,640,033	-	-
Less: impairment losses	(24,086,354)	(26,086,354)	-	-
	<u>1,331,165,523</u>	<u>790,553,679</u>	<u>-</u>	<u>-</u>
Trust units in Malaysia	-	48,611	-	-
	<u>1,342,242,726</u>	<u>862,061,444</u>	<u>-</u>	<u>-</u>
Total	<u>2,731,301,261</u>	<u>1,296,417,833</u>	<u>-</u>	<u>-</u>
Total securities	<u>3,959,061,135</u>	<u>1,969,967,418</u>	<u>25,595,725</u>	<u>5,033,982</u>

The reclassification of securities is disclosed in Note 54.

NOTES TO THE FINANCIAL STATEMENTS
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8. DERIVATIVE FINANCIAL ASSETS

	2009	Group
	RM	2008
		RM
At fair value		
Equity related contracts		
Options	34,005,439	1,406,337
Futures	(46,721)	694
	33,958,718	1,407,031
Interest rate swaps	248,509	898,461
Spot and forward foreign currency contracts	2,915,169	20,319
	37,122,396	2,325,811
Contract/Notional amount		
Equity related contracts		
Options	38,856,900	1,900
Futures	10	2
Interest rate swaps	514,090,630	160,000,000
Foreign currency spot, forward and swap contracts	522,794,746	2,141,790

9. LOANS, ADVANCES AND FINANCING

	2009	Group
	RM	2008
		RM
Term loans	312,671,274	365,376,810
Staff loans	1,499,002	1,009,314
Share margin financing	639,867,910	617,155,097
	954,038,186	983,541,221
Less : Unearned interest and income	(2,102,130)	(2,722,579)
	951,936,056	980,818,642
Allowance for losses on loans, advances and financing		
- General	(10,627,926)	(5,337,979)
- Specific	(8,651,892)	(16,455,691)
Net loans, advances and financing	932,656,238	959,024,972

NOTES TO THE FINANCIAL STATEMENTS
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9. LOANS, ADVANCES AND FINANCING (CONT'D)

(a) Analysis of gross loans, advances and financing

	2009	Group 2008
	RM	RM
(i) Analysed by type of customers		
Domestic business enterprises		
- Small and medium enterprises	287,790,712	366,089,084
Foreign entities	107,186,750	34,801,057
Other domestic entities	27,964,513	25,407,942
Individuals	528,994,081	554,520,559
	951,936,056	980,818,642
(ii) Analysed by interest rate sensitivity		
Fixed rate	879,844,277	938,559,059
Variable rate		
- Cost plus	47,901,920	41,984,920
- Base lending rate plus	-	59,902
- Other variable rates	24,189,859	214,761
	951,936,056	980,818,642
(iii) Analysed by economic purpose		
Working capital	28,943,020	154,732,777
Purchase of securities	800,783,540	803,768,561
Others	122,209,496	22,317,304
	951,936,056	980,818,642
(b) Analysis of non-performing loans/financing ("NPLs")		
Purchase of securities	22,992,540	34,590,931
Gross Non-Performing Loans	22,992,540	34,590,931
(i) Movement in NPLs		
At beginning of year	34,590,931	18,981,404
Classified as non-performing	9,134,622	22,602,274
Reclassified as performing	(18,676,437)	(6,992,747)
Amount written off	(3,304,430)	-
Exchange differences	1,247,854	-
At end of year	22,992,540	34,590,931
Specific allowance	(6,753,868)	(16,455,691)
Net non-performing loans, advances and financing	16,238,672	18,135,240
Ratio of net NPL and financing to net loans and financing	1.71%	1.85%

9. LOANS, ADVANCES AND FINANCING (CONT'D)

(b) Analysis of non-performing loans/financing ("NPLs") (Cont'd)

	2009	Group
	RM	2008
		RM
(ii) Movement in the allowance for bad and doubtful debts and financing accounts		
General allowance		
At beginning of year	(5,337,979)	(5,826,467)
Allowance made	(7,538,779)	(2,125,429)
Allowance written back	2,233,316	2,613,917
Exchange difference	15,516	-
At end of year	(10,627,926)	(5,337,979)
As % of gross loan, advances and financing less specific allowance	1.13%	0.55%
Specific allowance		
At beginning of year	(16,455,691)	(2,735,151)
Allowance made	(3,685,949)	(13,662,346)
Allowance written back	9,411,584	69,494
Amount written off	2,421,476	-
Exchange difference	(343,312)	(127,688)
At end of year	(8,651,892)	(16,455,691)

OSKIB 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.

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. 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 loan receivables.

NOTES TO THE FINANCIAL STATEMENTS
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10. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development, at cost

	Note	2009 RM	Group 2008 RM
Freehold land			
At beginning of year		-	214,091,122
Purchase of land and other costs incurred		-	12,069,337
Transfer to property development costs	10(b)	-	(136,245)
Distribution of shares in a listed subsidiary company		-	(226,024,214)
At end of year		-	-
Development costs			
At beginning of year		-	82,742,589
Costs incurred		-	8,459,236
Transfer to:			
- amount due from a joint venture project		-	(34,076)
- property development costs	10(b)	-	(7,786,905)
Distribution of shares in a listed subsidiary company		-	(83,380,844)
At end of year		-	-
Total land held for property development		-	-

(b) Property development costs

Freehold land			
At beginning of year		-	48,456,713
Transfer from land held for property development	10(a)	-	136,245
Distribution of shares in a listed subsidiary company		-	(48,592,958)
At end of year		-	-
Development costs			
At beginning of year		-	361,404,189
Cost incurred		-	61,637,607
Transfer from land held for property development	10(a)	-	7,786,905
Transfer to amount due to a joint venture project		-	(2,221,801)
Distribution of shares in a listed subsidiary company		-	(428,606,900)
At end of year		-	-
Total property development costs incurred to date		-	-
Costs recognised in income statement:			
At beginning of year		-	(328,057,003)
Recognised as expense		-	(57,340,349)
Distribution of shares in a listed subsidiary company		-	385,397,352
At end of year		-	-
Total property development costs		-	-

NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER ASSETS

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Interest/income receivable		37,806,854	18,535,986	158	1,253
Security deposits and statutory funds		4,188,288	2,656,740	-	-
Trade receivables	(a)	2,648,332,975	733,447,385	-	-
Other receivables, deposits and prepayments	(b)	29,583,310	22,514,576	137,805	55,521
Amounts due from subsidiary companies	(c)	-	-	12,353,348	30,626,605
Transferable golf memberships		228,200	228,200	-	-
		2,720,139,627	777,382,887	12,491,311	30,683,379

(a) Trade receivables

	Note	Group	
		2009 RM	2008 RM
Stock and futures broking receivables:			
Amount owing by clients		836,400,239	325,697,238
Interest in suspense	(i)	(3,883,043)	(3,342,131)
Allowance for bad and doubtful debts			
- Specific	(ii)	(13,499,813)	(15,746,085)
- General	(iii)	-	(17,615)
Segregated funds maintained for clients due to open position		49,018,803	72,456,766
		868,036,186	379,048,173
Amount owing by:			
- brokers		276,597,762	92,814,475
- foreign derivatives clearing house		3,952,824	10,954,562
- foreign securities clearing house and stock exchange		1,480,438,079	240,395,966
Physical trade receivables		18,900	182,330
Unit trust receivables		12,505,388	5,520,756
Others		6,783,836	4,531,123
		2,648,332,975	733,447,385

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

The trade credit term for fixed income instruments trading of OSKIB generally ranged from the same trading day to 2 market days. The normal trade credit term for unit trust funds is 10 (2008: 10) days. The normal credit term for capital financing ranged from 2 to 12 months from the date of financing.

The treatment of interest-in-suspense and allowance for bad and doubtful debts of OSKIB have been made in accordance with the Rules of Bursa Securities.

Segregated funds maintained for clients due to open positions and unsegregated funds of OSKIB earned interest of 0.98% (2008: 2.46%) per annum from Bursa Malaysia Derivatives Clearing Berhad.

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

NOTES TO THE FINANCIAL STATEMENTS
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11. OTHER ASSETS (CONT'D)

(a) Trade receivables (Cont'd)

	2009	Group
	RM	2008
		RM
(i) Movement of interest-in-suspense:		
At beginning of year	3,342,131	3,092,248
Addition	982,165	1,037,256
Reversal	(428,382)	(783,654)
Write off	(12,871)	(3,719)
At end of year	3,883,043	3,342,131

The disclosure requirement under Rule 1104.3(1) of Bursa Securities has been complied with.

(ii) Movement of specific allowance for bad and doubtful debts:		
At beginning of year	15,746,085	14,873,808
Addition	3,844,684	10,292,113
Reversal	(5,399,960)	(8,999,526)
Write off	(736,450)	(625,089)
Exchange difference	45,454	204,779
At end of year	13,499,813	15,746,085

OSKIB 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.

(iii) Movement of general allowance for bad and doubtful debts:		
At beginning of year	17,615	35,103
Addition	179,550	105,363
Reversal	(197,165)	(122,851)
At end of year	-	17,615

11. OTHER ASSETS (CONT'D)

(b) Other receivables, deposits and prepayments

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Other receivables	8,318,033	11,096,560	82,279	4,020
Allowance for doubtful debts	(649,880)	(654,975)	-	-
	7,668,153	10,441,585	82,279	4,020
Other deposits	11,885,627	6,722,669	4,500	4,500
Prepayments	10,029,530	5,350,322	51,026	47,001
	29,583,310	22,514,576	137,805	55,521

(c) Amounts due from subsidiary companies

	Company	
	2009	2008
	RM	RM
Interest bearing	-	9,650,573
Non interest bearing	10,587,653	15,946,863
Balance of uninvested funds placed with an asset management subsidiary company	1,765,695	5,029,169
	12,353,348	30,626,605

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment other than an amount of RM1,278,450 (2008: RM2,405,185) with a credit term of 3 days. The interest bearing portion for previous year was charged interest at 5.35% per annum.

12. STATUTORY AND RESERVE DEPOSITS WITH CENTRAL BANKS

	Note	Group	
		2009	2008
		RM	RM
Statutory deposit with Bank Negara Malaysia	(a)	36,255,670	76,065,670
Statutory deposit with the National Bank of Cambodia	(b)	8,652,968	4,514,810
Reserve deposit with the National Bank of Cambodia	(c)	2,764,624	253,522
		47,673,262	80,834,002

- (a) 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 amount is based on 1% (2008: 3.5%) of total eligible liabilities of the investment banking subsidiary company, OSKIB.
- (b) A banking subsidiary company, OSK Indochina Bank Limited ("OSKIBL"), is required to maintain a statutory deposit amounting to 10% of its registered capital. This deposit bears interest of 0.28% to 0.68% (2008: 1.18% to 1.20%) per annum and is not available for use in OSKIBL's day-to-day operations but it is refundable when OSKIBL voluntarily ceases to operate its banking business in Cambodia.
- (c) OSKIBL is required to maintain a reserve requirement with the National Bank of Cambodia in the form of compulsory deposits, computed at 8% and 12% (2008: 8% and 16%) of customer deposits in KHR and in foreign currencies, respectively. Reserve requirements in KHR equal to 8% will not earn interest. For reserve requirements in foreign currencies equal to 12% (2008: 16%), 8% (2008: 8%) will bear interest at 0% (2008: 0%), while the remaining 4% (2008: 8%) will bear interest at 0.5% (2008: 0.75%) of one-month Singapore Interbank Offered Rate (SIBOR).

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13. DEFERRED TAXATION

(a) Deferred tax assets

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
At beginning of year					
As previously reported		6,365,721	6,777,627	2,466,672	-
Effect of adoption of BNM/GP8		-	(4,765,178)	-	-
As restated		6,365,721	2,012,449	2,466,672	-
Recognised in:					
- income statements	37	(2,911,812)	(8,035,752)	(2,466,672)	2,466,672
- AFS reserve		22,643	13,868,266	-	-
Arising from acquisition of subsidiary companies		-	235,151	-	-
Distribution of shares in a listed subsidiary company		(238,063)	(1,611,065)	-	-
Foreign exchange differences		163,717	(103,328)	-	-
At end of year		3,402,206	6,365,721	-	2,466,672
The deferred tax assets mainly relate to temporary differences arising from:					
Excess of depreciation over capital allowances		(3,923,375)	(21,258)	-	-
Provisions		2,482,601	618,176	-	-
Fair values on securities:					
- HFT		758,886	2,659,850	-	2,466,672
- AFS		3,024,312	1,870,306	-	-
Other temporary differences		1,059,782	1,238,647	-	-
		3,402,206	6,365,721	-	2,466,672

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13. DEFERRED TAXATION (CONT'D)

(b) Deferred tax liabilities

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
At beginning of year					
As previously reported		254,838	26,665,568	-	90,086
Effect of adoption of BNM/GP8		-	7,572,716	-	-
As restated		254,838	34,238,284	-	90,086
Recognised in:					
- income statements	37	766,857	(17,055,059)	766,441	(90,086)
- AFS reserves		-	9,024,800	-	-
Distribution of shares in a listed subsidiary company		-	(25,967,862)	-	-
Foreign exchange differences		1,198	14,675	-	-
At end of year		1,022,893	254,838	766,441	-

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

Excess of capital allowances over depreciation	250,293	252,345	-	-
Fair values on securities:				
- HFT	770,534	(85)	766,441	-
Other temporary differences	2,066	2,578	-	-
	1,022,893	254,838	766,441	-

14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2009 RM	2008 RM
At cost		
Quoted shares in Malaysia	-	118,233,808
Unquoted shares in Malaysia	934,895,730	931,478,800
	934,895,730	1,049,712,608
Accumulated impairment loss	(628,892)	(628,892)
	934,266,838	1,049,083,716
Market value		
Quoted shares in Malaysia	-	64,137,886

NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The particulars of the subsidiary companies and changes in the composition of the Group are disclosed in Note 47 and Note 48 respectively.

The Company has pledged 130,000,000 unquoted ordinary shares of a subsidiary company, with a carrying amount of RM130,000,000, to licensed banks for the syndicated term loan as disclosed in Note 25(c).

The difference between the cost and the market value of subsidiary companies quoted in Malaysia is not provided for in the previous year financial statements as the Directors do not consider it as impaired. The Company's share of net assets in these subsidiary companies is higher than the cost of investment in these subsidiary companies.

On 28 August 2009, the Company completed the distribution of shares in a listed subsidiary company, OSKVI, to shareholders of the Company as disclosed in Note 48(f).

On 26 February 2009, the Company subscribed additional 2,179,000 ordinary shares in OSK Investment Bank (Labuan) Limited at total consideration of RM7,996,930 (equivalent to USD2,179,000) for working capital purpose. The Company had transferred its investment in OSK International Asset Management Sdn. Bhd. (formerly known as OSK Asset Management Sdn. Bhd.) to OSKIB as disclosed in Note 48(e).

Effect of the acquisition of subsidiary companies for the previous year ended 31 December 2008

The acquisitions of subsidiary companies during the year ended 31 December 2008 had the following effect on the Group's financial results for the previous year:

The cost of acquisitions and cash outflow on acquisitions are as follows:

	RM
Purchase consideration satisfied by cash	78,154,889
Costs attributable to the acquisitions, paid in cash	6,419,329
Total cost of acquisitions	84,574,218
Cash and cash equivalents of subsidiary companies acquired	(84,664,960)
Net cash inflow of the Group	(90,742)

The acquisitions of subsidiary companies during the year ended 31 December 2008 had the following effect on the Group's financial results for the previous financial year:

	Date of acquisition to 31.12.2008
	RM
Revenue	6,618,217
Loss before tax	(3,830,794)
Loss for the period	(3,270,728)

Had the acquisitions been effected on 1 January 2008, the financial results contributed by the new subsidiary companies for the year ended 31 December 2008 would have been:

	1.1.2008 to 31.12.2008
	RM
Revenue	21,120,399
Loss before tax	(955,673)
Loss for the year	(949,365)

NOTES TO THE FINANCIAL STATEMENTS
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14. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

The fair values of assets and liabilities arising from the acquisitions were as follows:

	Note	As at dates of acquisitions
		RM
Property and equipment	18	1,207,034
Land held for property development		6,505
Trade and other receivables		101,523,749
Deferred tax assets	13(a)	235,151
Securities available-for-sale		48,600
Cash and bank balances - General accounts		84,664,960
Trade and other payables		(66,343,233)
Borrowings		(173,048)
Tax payable		(1,257,719)
Fair value of total net assets		119,911,999
Minority interests		(57,950,657)
Group's share of net assets		61,961,342
Add: Goodwill on consolidation	19(a)	22,612,876
Total acquisition costs		84,574,218

15. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Shares at cost				
<i>In Malaysia</i>				
Quoted	-	149,337,046	-	-
Unquoted	12,600,974	6,103,224	-	1,200,000
<i>Outside Malaysia</i>				
Quoted	-	18,977,319	-	-
	12,600,974	174,417,589	-	1,200,000
Impairment losses	(2,649,561)	(19,440,000)	-	-
	9,951,413	154,977,589	-	1,200,000
Share of reserves	10,417,119	56,906,874	-	-
	10,417,119	56,906,874	-	-
	20,368,532	211,884,463	-	1,200,000
Market value				
Quoted shares:				
<i>In Malaysia</i>				
	-	93,757,900	-	-
<i>Outside Malaysia</i>				
	-	8,335,357	-	-
	-	102,093,257	-	-

The proportion of voting power held is equivalent to the proportion of ownership interest in the associated companies. The particulars of the associated companies and changes in compositions are disclosed in Note 47.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

15. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

The summarised financial information of the associated companies are as follows:

	2009	Group
	RM	2008
		RM
Aggregated assets and liabilities as at balance sheet dates (100%)		
Total assets	65,156,669	1,012,785,801
Total liabilities	(5,904,247)	(295,142,339)
Aggregated results (100%)		
Revenue	226,203,812	206,855,441
Loss for the year	(13,134,216)	(117,307,725)

The quoted investments in listed associated companies have been demerged pursuant to the distribution of OSKVI shares as disclosed in Note 48(f).

16. INVESTMENT PROPERTY

	2009	Group
	RM	2008
		RM
At fair value		
Freehold land		
At beginning of year	42,785,687	42,785,687
Fair value changes prior to 1 January	69,814,313	22,110,386
Fair value at 1 January	112,600,000	64,896,073
Fair value recognised in income statement	-	47,703,927
At end of year	112,600,000	112,600,000

The investment property generated rental income of RM925,065 (2008: RM862,200) and incurred direct expenses of RM83,088 (2008: RM61,229) for the year.

The fair value of the freehold land as at 31 December 2008 of RM112.6 million was performed by an independent valuer based on the market values of similar properties in the same vicinity that have been transacted in the open market. The fair value of the freehold land as at 31 December 2009 was based on directors' valuation and no independent external valuation was performed.

NOTES TO THE FINANCIAL STATEMENTS
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17. PREPAID LAND LEASE PAYMENTS

	2009	Group
Note	RM	2008
		RM
At cost		
At beginning of year	12,975,130	11,872,076
Additions	-	2,885,618
Distribution of shares in a listed subsidiary company	-	(1,782,564)
At end of year	<u>12,975,130</u>	<u>12,975,130</u>
Accumulated amortisation		
At beginning of year	932,472	860,898
Amortisation	33 139,572	139,574
Distribution of shares in a listed subsidiary company	-	(68,000)
At end of year	<u>1,072,044</u>	<u>932,472</u>
Net carrying value		
At end of year	<u>11,903,086</u>	<u>12,042,658</u>
Net carrying value		
Analysed as:		
Short term leasehold land	1,642,114	1,700,239
Long term leasehold land	10,260,972	10,342,419
	<u>11,903,086</u>	<u>12,042,658</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

18. PROPERTY AND EQUIPMENT

**Group
2009**

	As at 1.1.2009	Additions	Disposals	Write off	Distribution of shares in a listed subsidiary company	Foreign exchange difference	As at 31.12.2009
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	1,564,521	-	-	-	-	-	1,564,521
Freehold land and buildings	107,408,869	-	-	-	-	-	107,408,869
Long term leasehold buildings	11,155,363	-	-	-	-	-	11,155,363
Short term leasehold buildings	415,849	-	-	-	-	-	415,849
Building in progress	2,114,800	442,155	-	-	-	-	2,556,955
Machinery	44,875	38,800	-	-	-	-	83,675
Motor vehicles	9,531,585	1,269,151	(1,528,922)	-	(358,478)	92,853	9,006,189
Office equipment	66,241,784	6,743,410	(287,063)	(280,404)	(3,569,228)	201,005	69,049,504
Computer equipment	16,977,125	1,880,401	-	-	(22,292)	93,388	18,928,622
Furniture and fittings	18,248,400	839,841	(75,279)	(137,932)	(122,808)	61,244	18,813,466
Renovations	39,247,395	2,701,955	(135,609)	(139,913)	(395,730)	184,488	41,462,586
	<u>272,950,566</u>	<u>13,915,713</u>	<u>(2,026,873)</u>	<u>(558,249)</u>	<u>(4,468,536)</u>	<u>632,978</u>	<u>280,445,599</u>
Accumulated depreciation							
Freehold land	-	-	-	-	-	-	-
Freehold land and buildings	6,639,267	1,385,511	-	-	-	-	8,024,778
Long term leasehold buildings	952,730	149,313	-	-	-	-	1,102,043
Short term leasehold buildings	111,746	10,396	-	-	-	-	122,142
Machinery	21,582	8,935	-	-	-	-	30,517
Motor vehicles	6,395,975	986,313	(1,309,367)	-	(241,973)	37,843	5,868,791
Office equipment	48,170,454	4,975,847	(255,918)	(263,580)	(3,098,911)	118,681	49,646,573
Computer equipment	12,222,008	2,264,880	-	-	(471)	135,413	14,621,830
Furniture and fittings	11,589,829	1,275,084	(66,644)	(84,754)	(19,620)	45,450	12,739,345
Renovations	23,864,643	3,119,897	(47,624)	(54,047)	(101,118)	148,877	26,930,628
	<u>109,968,234</u>	<u>14,176,176</u>	<u>(1,679,553)</u>	<u>(402,381)</u>	<u>(3,462,093)</u>	<u>486,264</u>	<u>119,086,647</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

18. PROPERTY AND EQUIPMENT (CONT'D)

**Group
2008**

	As at 1.1.2008	Additions	Disposals	Acquisitions of subsidiary companies	Distribution of shares in a listed subsidiary company	Write off	Foreign exchange difference	As at 31.12.2008
	RM	RM	RM	RM	RM	RM	RM	RM
At cost								
Freehold land	1,564,521	-	-	-	-	-	-	1,564,521
Freehold land and buildings	112,494,689	2,907,302	(2,813,953)	-	(5,179,169)	-	-	107,408,869
Long term leasehold buildings	12,086,475	999,660	(1,930,772)	-	-	-	-	11,155,363
Short term leasehold buildings	415,849	-	-	-	-	-	-	415,849
Building in progress	746,400	1,368,400	-	-	-	-	-	2,114,800
Machinery	36,985	8,950	-	-	(1,060)	-	-	44,875
Motor vehicles	10,837,361	1,132,793	(1,094,180)	187,397	(1,577,306)	-	45,520	9,531,585
Office equipment	73,752,727	9,573,921	(314,247)	1,091,674	(1,400,285)	(143,404)	658,523	83,218,909
Furniture and fittings	16,108,980	1,969,232	(3,245)	358,889	(223,859)	-	38,403	18,248,400
Renovations	32,239,939	6,201,629	-	611,010	(34,990)	(261,720)	491,527	39,247,395
	<u>260,283,926</u>	<u>24,161,887</u>	<u>(6,156,397)</u>	<u>2,248,970</u>	<u>(8,416,669)</u>	<u>(405,124)</u>	<u>1,233,973</u>	<u>272,950,566</u>
Accumulated depreciation								
Freehold land	-	-	-	-	-	-	-	-
Freehold land and buildings	5,422,386	1,450,524	(44,695)	-	(188,948)	-	-	6,639,267
Long term leasehold buildings	877,069	149,314	(73,653)	-	-	-	-	952,730
Short term leasehold buildings	101,350	10,396	-	-	-	-	-	111,746
Machinery	14,894	7,747	-	-	(1,059)	-	-	21,582
Motor vehicles	6,714,077	1,219,957	(709,830)	113,749	(966,641)	-	24,663	6,395,975
Office equipment	52,734,821	7,803,276	(273,972)	490,857	(787,944)	(103,163)	528,587	60,392,462
Furniture and fittings	10,276,528	1,268,934	(2,240)	159,531	(152,869)	-	39,945	11,589,829
Renovations	20,627,070	2,743,533	-	277,799	(22,259)	(162,963)	401,463	23,864,643
	<u>96,768,195</u>	<u>14,653,681</u>	<u>(1,104,390)</u>	<u>1,041,936</u>	<u>(2,119,720)</u>	<u>(266,126)</u>	<u>994,658</u>	<u>109,968,234</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

18. PROPERTY AND EQUIPMENT (CONT'D)

Group
Net carrying value

	2009	2008
	RM	RM
Freehold land	1,564,521	1,564,521
Freehold land and buildings	99,384,091	100,769,602
Long term leasehold buildings	10,053,320	10,202,633
Short term leasehold buildings	293,707	304,103
Building in progress	2,556,955	2,114,800
Machinery	53,158	23,293
Motor vehicles	3,137,398	3,135,610
Office equipment	19,402,931	18,071,330
Computer equipment	4,306,792	4,755,117
Furniture and fittings	6,074,121	6,658,571
Renovations	14,531,958	15,382,752
	161,358,952	162,982,332

Net carrying amount of equipment held under finance lease arrangement for the previous year was at RM485,920 as disclosed in Note 25(d).

Company

	As at	Additions/ Depreciation	As at
	1.1.2009	charge	31.12.2009
	RM	RM	RM
At cost			
Office equipment	4,032	-	4,032
Accumulated depreciation			
Office equipment	1,059	605	1,664
	As at	Additions/ Depreciation	As at
	1.1.2008	charge	31.12.2008
	RM	RM	RM
At cost			
Office equipment	4,032	-	4,032
Accumulated depreciation			
Office equipment	454	605	1,059
		2009	2008
		RM	RM
Net carrying value			
Office equipment		2,368	2,973

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

19. INTANGIBLE ASSETS

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Goodwill on consolidation	(a)	103,649,891	108,051,629	-	-
Purchased goodwill	(b)	46,516,468	46,516,468	-	-
Trading rights and memberships	(c)	1,313,053	1,329,125	-	-
Merchant bank licence	(d)	52,500,000	52,500,000	-	-
Software licences	(e)	5,858,007	3,375,416	-	-
Trademarks		16,273	7,142	16,273	7,142
		209,853,692	211,779,780	16,273	7,142

(a) Goodwill on consolidation

	Note	Group	
		2009 RM	2008 RM
At cost			
At beginning of year		141,758,927	183,952,611
Accumulated amortisation			
- set off in accordance with FRS 3		(33,698,483)	(33,698,483)
		108,060,444	150,254,128
Acquisition of subsidiary companies	14	-	22,612,876
Distribution of shares in a listed subsidiary company		(4,675,687)	(66,203,963)
Foreign exchange difference		397,429	1,397,403
At end of year		103,782,186	108,060,444
Accumulated impairment			
At beginning of year		(8,815)	(8,358)
Impairment loss		(127,040)	-
Foreign exchange difference		3,560	(457)
At end of year		(132,295)	(8,815)
Net carrying value		103,649,891	108,051,629

(b) Purchased goodwill

	Group	
	2009 RM	2008 RM
At cost	59,892,449	59,892,449
Accumulated amortisation - set off in accordance with FRS 3	(13,375,981)	(13,375,981)
Net carrying value	46,516,468	46,516,468

The purchased goodwill represents the excess of the total cash consideration paid by OSKIB over the fair value of attributed net assets of the entire stockbroking business of Premier Capital Securities Sdn. Bhd. that was completed on 19 June 2000.

NOTES TO THE FINANCIAL STATEMENTS
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19. INTANGIBLE ASSETS (CONT'D)

(c) Trading rights and memberships

	2009	Group
	RM	2008
		RM
At cost		
At beginning of year	1,428,388	502,468
Additions	-	898,470
Foreign exchange difference	(17,272)	27,450
At end of year	<u>1,411,116</u>	<u>1,428,388</u>
Accumulated impairment		
At beginning of year	(99,263)	(94,122)
Foreign exchange difference	1,200	(5,141)
At end of year	<u>(98,063)</u>	<u>(99,263)</u>
Net carrying value	<u>1,313,053</u>	<u>1,329,125</u>

These represent transfer price paid for the acquisition of trading rights in the Hong Kong Stock Exchange and the Hong Kong Futures Exchange and the membership in the Chinese Gold and Silver Exchange Society by subsidiary companies in Hong Kong. Trading rights and membership are considered to have indefinite useful life, which are not amortised and are assessed for impairment annually.

(d) Merchant bank licence

	2009	Group
	RM	2008
		RM
At cost		
At beginning/end of year	<u>52,500,000</u>	<u>52,500,000</u>

This represents contribution to Bank Negara Malaysia for a merchant bank licence to transform OSKIB from a Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

19. INTANGIBLE ASSETS (CONT'D)

(e) Software licences

	Note	2009 RM	Group 2008 RM
At cost			
At beginning of year		3,656,223	546,907
Additions		3,157,706	3,186,036
Disposals		(1,277)	-
Distribution of shares in a listed subsidiary company		(28,996)	(76,720)
Foreign exchange difference		(23)	-
At end of year		<u>6,783,633</u>	<u>3,656,223</u>
Accumulated amortisation and impairment			
At beginning of year		(280,807)	(39,525)
Distribution of shares in a listed subsidiary company		7,111	13,493
Amortisation	33	(660,875)	(254,234)
Disposal		58	-
Foreign exchange difference		8,887	(541)
At end of year		<u>(925,626)</u>	<u>(280,807)</u>
Net carrying value		<u>5,858,007</u>	<u>3,375,416</u>

Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and trading rights have been allocated to five (2008: six) of the individually material cash-generating units ("CGU"), which are reportable segments, for impairment testing as follows:

- **Malaysia stockbroking and related activities CGU**

The recoverable amount of the Malaysian stockbroking and related activities 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.

Purchased goodwill is attributable to one of the three stockbroking trading licences purchased by OSKIB. The recoverable amount of the Malaysian CGU is compared to the total carrying amount of 3 trading licences, including two stockbroking trading licences that were purchased by and assessed for impairment by the Company.

- **Singapore stockbroking CGU**

The recoverable amount of the Singapore stockbroking 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. The cash flows beyond the 5-year period are estimated as a terminal value computed by discounting future cash flows to present value.

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19. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and intangibles with indefinite lives (Cont'd)

• **Hong Kong stockbroking CGU**

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

• **Indonesia stockbroking CGU**

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

• **Cambodia banking CGU**

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

Carrying amount of goodwill allocated to each of the material CGUs are as follows:

	Goodwill on consolidation [Note 19(a)] RM	Purchased goodwill [Note 19(b)] RM	Total RM
2009			
Malaysia stockbroking CGU	50,339,628	46,516,468	96,856,096
Singapore stockbroking CGU	29,510,683	-	29,510,683
Hong Kong stockbroking CGU	536,065	-	536,065
Indonesia stockbroking CGU	15,875,215	-	15,875,215
Cambodia banking CGU	6,333,191	-	6,333,191
Others CGUs *	1,055,109	-	1,055,109
	103,649,891	46,516,468	150,166,359
2008			
Malaysia stockbroking CGU	50,339,628	46,516,468	96,856,096
Singapore stockbroking CGU	29,110,370	-	29,110,370
Hong Kong stockbroking CGU	666,803	-	666,803
Indonesia stockbroking CGU	15,875,215	-	15,875,215
Cambodia banking CGU	6,333,191	-	6,333,191
OSK Ventures International Berhad ("OSKVI") CGU	4,151,802	-	4,151,802
Others CGUs *	1,574,620	-	1,574,620
	108,051,629	46,516,468	154,568,097

* Included subsidiary companies in the business of management of unit trust funds, wills and trustee services, financial planning and internet financial solutions.

19. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in value-in-use calculation of Malaysia stockbroking CGU:

The goodwill attributable to the Malaysia stockbroking CGU comprises the 2 trading licences acquired as stated below that has enabled a stockbroking subsidiary company to be eligible for its Investment Banking status:

<u>Trading licence</u>	<u>Classification</u>
Premier Capital Securities Sdn. Bhd.	Purchased goodwill
KE-ZAN Securities Sdn. Bhd.	Goodwill on consolidation

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

- Budgeted gross brokerage rate - The basis used to determine the value assigned to the budgeted gross brokerage rate is comparable to 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 or expansion of the investment banking business.

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

- Budgeted gross brokerage rate - The budgeted gross brokerage rate is comparable to 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:

- 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.

Key assumptions used in value-in-use calculation of Indonesia stockbroking CGU:

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

Key assumptions used in value-in-use calculation of Cambodia banking CGU:

- Budgeted gross margin rate - This is determined based on the 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 OSKIB from a Universal Broker into an Investment Bank and is considered to have indefinite useful life, which is not amortised. There are no indications that require an impairment assessment of the merchant bank licence.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

20. DEPOSITS FROM CUSTOMERS

	2009	Group
	RM	2008
		RM
Demand deposits	6,459,040	282,846
Fixed deposits	2,786,827,323	1,042,773,667
Mudharabah general deposits	775,823,186	453,000,593
Negotiable instruments of deposits	189,772,474	395,746,660
Saving deposits	6,832,359	389,537
Short term deposits	589,918,999	478,392,602
Others	63,165	46,875
	4,355,696,546	2,370,632,780

By type of customer:

Business enterprises	1,341,004,591	484,749,030
Domestic non-bank institutions *	2,275,142,335	1,339,237,024
Foreign customers	14,916,104	490,243
Individuals	84,988,883	92,686,946
Local government and statutory bodies	629,533,357	440,818,136
Others	10,111,276	12,651,401
	4,355,696,546	2,370,632,780

* Domestic non-bank institutions include unit trust companies, trust funds, insurance companies, broker companies, trustee companies and asset management companies.

The deposits of OSKIB are guaranteed by the Government of Malaysia via Perbadanan Insurans Deposit Malaysia (PIDM), an independent statutory body established under the Malaysia Deposit Insurance Corporation Act, 2005. This deposit guarantee is effective from 16 October 2008 until 31 December 2010. This guarantee covers all Ringgit Malaysia and foreign currency deposits held under fixed deposits and negotiable instruments of deposit held by non-bank customers, inclusive of all Islamic deposits. This guarantee excludes inter-bank money market placements and negotiable instruments of deposit held by the OSKIB.

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009	Group
	RM	2008
		RM
Licensed banks	39,363,493	20,323,761
Licensed investment banks	60,000,000	40,000,000
Other financial institutions	74,858,994	387,591,613
	174,222,487	447,915,374

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

22. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	2009	Group
	RM	2008
		RM
Private debt securities in Malaysia and negotiable instruments of deposits	-	248,511

23. DERIVATIVE FINANCIAL LIABILITIES

	2009	Group
	RM	2008
		RM
At fair value		
Structured warrants	47,580,044	5,593,527
Structured investments	2,124,009	189,195
Foreign exchange swap contracts	2,157,289	-
	51,861,342	5,782,722
Contract/Notional amount		
Structured warrants	425,554,500	172,870,100
Structured investments	2,045,870	23,768,000
Spot and forward exchange contracts	203,915,056	-

24. OTHER LIABILITIES

		Group		Company
	2009	2008	2009	2008
Note	RM	RM	RM	RM
Interest/income payable	29,157,891	23,806,782	-	-
Trade payables	(a) 3,270,052,688	1,177,749,448	-	-
Other payables, deposits and accruals	(b) 141,918,235	109,164,138	330,916	349,136
Amounts due to:				
- subsidiary companies	(c) -	-	74,961,534	52,694,603
- an associated company	(d) 3,574,572	5,894,663	-	-
Profit equalisation reserve of Islamic banking operations	53(i) 759,000	90,000	-	-
	3,445,462,386	1,316,705,031	75,292,450	53,043,739

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24. OTHER LIABILITIES (CONT'D)

(a) Trade payables

	Group	
	2009	2008
	RM	RM
Amount due to:		
Outstanding contracts on clients' account	1,527,877,103	899,966,655
Brokers	1,687,946,144	265,815,644
Foreign clearing house	41,060,030	9,297,237
Trade payables for unit trust activities	13,169,411	2,574,561
Other trade payables	-	95,351
	3,270,052,688	1,177,749,448

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

The trade credit term for fixed income instruments trading generally ranged from the same trading day to 2 (2008: 2) market days.

Amounts due to clients for the disposal of investments financed by a capital financing subsidiary company, OSK Capital Sdn. Bhd. is repayable within 12 months.

The normal trade credit term for unit trust funds is 10 (2008: 10) days.

(b) Other payables, deposits and accruals

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Other payables	13,032,978	5,888,177	-	-
Deposits:				
- trading deposits from dealers/ futures broker representatives	40,240,974	39,311,516	-	-
- rental and utilities deposits from tenants	1,570,870	1,342,569	-	-
- other deposits	15,700	13,350	-	-
	41,827,544	40,667,435	-	-
Other accruals and provisions	87,057,713	62,608,526	330,916	349,136
	141,918,235	109,164,138	330,916	349,136

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24. OTHER LIABILITIES (CONT'D)

(c) Amounts due to subsidiary companies

	Company	
	2009	2008
	RM	RM
Interest bearing	74,950,524	52,684,258
Non interest bearing	11,010	10,345
	74,961,534	52,694,603

The amounts due to subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing portion was charged interest at 3.29% to 5.35% (2008: 5.05%) per annum.

(d) Amount due to an associated company

The amount due to an associated company, UOB-OSK Asset Management Sdn. Bhd., relates to management fee payable and is unsecured, interest free and the normal credit term is 90 days (2008: 90 days).

25. BORROWINGS

	Note	Group		Company	
		2009	2008	2009	2008
		RM	RM	RM	RM
Unsecured					
- Revolving credits	(a)	178,700,000	160,400,000	-	-
- Subordinated loan	(b)	8,831,900	-	-	-
		187,531,900	160,400,000	-	-
Secured					
- Syndicated term loan	(c)	29,434,500	46,665,500	29,434,500	46,665,500
- Finance lease payable within one year	(d)	-	507,559	-	-
		29,434,500	47,173,059	29,434,500	46,665,500
		216,966,400	207,573,059	29,434,500	46,665,500

(a) Revolving credits

The revolving credits of the subsidiary companies are supported by corporate guarantees from the Company. The revolving credits of the Group bore interest of 3.29% to 4.10% (2008: 4.33% to 5.47%) per annum.

Repayment schedules of the revolving credits are as follows:

	Group	
	2009	2008
	RM	RM
Rolled over on:		
- daily basis	128,700,000	100,400,000
- monthly basis	50,000,000	60,000,000
	178,700,000	160,400,000

NOTES TO THE FINANCIAL STATEMENTS
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25. BORROWINGS (CONT'D)

(b) Subordinated loan

The subordinated loan of a subsidiary company are denominated in Hong Kong dollar and supported by the corporate guarantee of the Company.

(c) Syndicated term loan

The syndicated term loan of the Company is secured by way of a fixed charge over the unquoted shares of a subsidiary company as disclosed in Note 14 and bears interest rate at 3.95% to 5.40% (2008: 5.41% to 5.43%) per annum and is repayable in six-monthly intervals started from 29 September 2007.

	Group and Company	
	2009	2008
	RM	RM
Syndicated term loan	29,434,500	46,665,500

The term loan is repayable as follows:

Within one year	25,000,000	17,231,000
From second to fifth year inclusive	4,434,500	29,434,500
	29,434,500	46,665,500

(d) Finance lease

	Group	
	2009	2008
	RM	RM
Future minimum lease payment:		
Within one year	-	507,559

The Group has obligations under finance lease that are payable as follows:

	Present value of payments	Interest	Minimum lease payments
	RM	RM	RM
2008			
Within one year	507,559	14,582	522,141

The carrying amount of finance lease payable is denominated in Singapore dollar. The net carrying amount of assets under finance lease arrangement is disclosed in Note 18. The discount rate implicit in the lease is 6.85% (2008: 6.85%) per annum.

26. SUBORDINATED NOTES

	2009	Group 2008
	RM	RM
Principal amount	100,000,000	100,000,000

On 28 April 2008, the Securities Commission granted approval to OSKIB, on its 12-Year Callable 5 Years Subordinated Medium Term Notes ("Subordinated Notes") Programme of up to RM400 million.

The proceeds raised from the Subordinated Notes shall be utilised for general business and corporate purpose. The Programme has a tenor of up to 12 years from the date of the first issuance. OSKIB shall have the option to issue Subordinated Notes with a maturity of 10 years from the issue date, and callable in whole or part, subject to the prior consent of Bank Negara Malaysia, after a minimum period of five years from the date of the issue ("Call Date"), and every coupon payment date thereafter at 100% of the nominal value outstanding, together with accrued coupon payment. Interest is payable semi-annually in arrears.

On 14 July 2008, OSKIB issued RM100 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 13 July 2018 and callable after a minimum period of 5 years from the issue date (i.e. on 13 July 2013) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.5% per annum and a coupon rate of 7.5% per annum.

27. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares/ Amount (RM)	
	2009	2008
Authorised		
Ordinary shares of RM1 each		
At beginning/end of year	1,500,000,000	1,500,000,000
Issued and fully paid		
Ordinary shares of RM1 each		
At beginning of year	673,068,939	672,110,739
Exercise of ESOS	3,990,400	958,200
Conversion of Warrant B 2000/2010	1,605,806	-
At end of year	678,665,145	673,068,939

During 2009, the Company has issued 5,596,206 (2008: 958,200) new ordinary shares of RM1 each for cash at the respective exercise prices pursuant to the ESOS and conversion of Warrant B 2000/2010 and the total cash proceeds arising from the exercise of options amounted to RM6,098,506 (2008: RM1,245,774). The new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the residual assets of the Company.

27. SHARE CAPITAL (CONT'D)

(a) Warrant B 2000/2010

Pursuant to an abridged prospectus dated 7 January 2000, options were granted by way of a free detachable Warrant B 2000/2005 with the issue of 3.5% Redeemable Unsecured Bonds 2000/2005 and 6% Irredeemable Convertible Unsecured Loan Stocks 2000/2005 on 2 March 2000 are constituted by a Deed Poll dated 6 January 2000 executed by the Company. Pursuant to a Special Resolution passed at the Extraordinary General Meeting on 9 November 2004 and approval by Securities Commission, duration and exercise period of Warrant B 2000/2005 has been extended by five years from 1 March 2005 up to and including 1 March 2010.

The Company had issued 101,423,995 Warrant B 2000/2010 which were listed on Bursa Malaysia Securities Berhad since 17 March 2000. During the current year to date, the Company has issued 1,605,806 new ordinary shares of RM1 each for cash at RM1.25 for conversion of Warrant B 2000/2010. As at 31 December 2009, the total number of Warrant B 2000/2010 remained unexercised is 99,818,020 (2008: 101,423,826).

The main features of the Warrant B 2000/2010 are as follows:

- (i) Each warrant entitles the holder to subscribe for 1 new ordinary share of RM1 each in the Company at a price of RM1.79 per share by cash. The exercise price was adjusted in the prior years from RM2.28 per share to RM2.23 per share pursuant to the distribution of share dividend as final dividend for the year ended 31 December 2004 on 19 May 2005. With effect from 24 September 2008, the subscription price of Warrant B was further revised from RM2.23 to RM1.79 as a result of the distribution of OSK Property Holding Berhad shares and this adjustment accordance with the Deed Poll.

Subsequently, pursuant to Condition 2 of the Second Schedule and Clause 2(b)(iii)(1) of the Memorandum to the Deed Poll dated 6 January 2000 as amended by the supplemental deed poll dated 30 November 2004 ("Deed Poll") constituting the 2000/2010 Warrants B ("2000/2010 Warrants B"), with effect from 21 August 2009, the subscription price of the 2000/2010 Warrants B was revised downwards from RM1.79 to RM1.25 as a result of the shares distribution in OSK Ventures International Berhad ("OSKVI"). The adjustment was made in accordance with the provisions of the Deed Poll in order to ensure that the status of the holders of the 2000/2010 Warrants B will not be prejudiced after the Distribution.

Pursuant to the Proposed Bonus Issue of the Company which was completed on 25 January 2010 as disclosed in Note 44(c) to the financial statements, the subscription price of the Warrant B 2000/2010 was revised downwards from RM1.25 to RM1.00 and an additional 24,150,922 Warrant B 2000/2010 was issued in accordance with Condition 2 of the Second Schedule and Clause 2(b)(ii) of Memorandum to the Deed Poll;

- (ii) The Warrant B 2000/2010 may be exercised at any time during normal business hours up to 5.00 pm on or before 1 March 2010;
- (iii) Full provisions regarding the transferability of Warrant B 2000/2010 to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the Exercise Price in certain circumstances, quotation on Bursa Securities and other terms and conditions pertaining to the Warrant B 2000/2010 are set out in detail in a Deed Poll executed by the Company on 6 January 2000, which is available for inspection at the registered office of the Company.

27. SHARE CAPITAL (CONT'D)

(b) Executive Share Option Scheme

During the previous years, the Company had granted options under the Executive Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 May 2002.

The salient features of the ESOS are as follows:

- (i) Eligible grantees are executives of the Group (including Executive Directors) who have been in the full time employment or under an employment contract of the Group for a period of at least twelve (12) full months of continuous service and whose employment have been confirmed in writing on or prior to the date of the offer. The eligibility for participation in the ESOS shall be based on the performance of the eligible grantees and shall be at the discretion of the ESOS Committee appointed by the Board of Directors;
- (ii) The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, hold 20% or more in the issued and paid-up capital of the Company;
- (iii) The extension of duration of the ESOS and the amendments to the existing ESOS By-Laws was approved by the Shareholders of the Company at the Extraordinary General Meeting held on 17 November 2006.

On 4 January 2007, the duration of ESOS which was due to expire on 17 February 2008 had been extended for another 5 years to 17 February 2013;

- (iv) The option price for each share, as determined by the ESOS Committee, shall be at a discount of not more than ten percent (10%) from the weighted average of the market quotation of the Company's shares in the daily list issued by Bursa Securities for the five (5) market days preceding the date of offer, or at par value of the ordinary shares of the Company, whichever is higher;
- (v) The employees' entitlements to the options are vested at the grant date; and
- (vi) No option shall be granted for less than 1,000 shares and shall not be more than the maximum allowable allotment for each eligible grantee allowed under their respective categories.

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27. SHARE CAPITAL (CONT'D)

(b) Executive Share Option Scheme (Cont'd)

The number and weighted average exercise prices of, and movement in, share option under the ESOS for the year are as follows:

2009 Date of grant	Option price * RM	Number of options over ordinary shares of RM1 each			As at 31.12.2009 ⁴
		As at 1.1.2009	Exercised	Forfeited	
27.6.2003 ¹	1.00	1,777,000	(792,600)	(20,500)	963,900
16.3.2004 ¹	1.06	5,157,440	(1,673,600)	(298,600)	3,185,240
29.4.2005 ²	1.00	880,900	(93,700)	(73,400)	713,800
3.5.2006 ³	1.00	4,346,300	(1,430,500)	(183,000)	2,732,800
		12,161,640	(3,990,400)	(575,500)	7,595,740
Weighted average price (RM)		1.59	1.03	1.75	1.03

* With effective from 6 October 2009, the ESOS committee approved the adjustment of ESOS exercise price pursuant to Clause 18.3(c)(1) of the ESOS By-Laws.

2008 Date of grant	Option price RM	Number of options over ordinary shares of RM1 each			As at 31.12.2008 ⁴
		As at 1.1.2008	Exercised	Forfeited	
27.6.2003 ¹	1.33	1,789,000	(9,000)	(3,000)	1,777,000
16.3.2004 ¹	1.95	5,314,040	(3,000)	(153,600)	5,157,440
29.4.2005 ²	1.18	1,208,000	(327,100)	-	880,900
3.5.2006 ³	1.36	4,977,700	(619,100)	(12,300)	4,346,300
		13,288,740	(958,200)	(168,900)	12,161,640
Weighted average price (RM)		1.58	1.29	1.90	1.59

- 1 These outstanding options were granted prior to 31 December 2004 and therefore not recognised in the financial statements, in accordance with the transitional requirements of FRS 2.
- 2 These outstanding options were granted after 31 December 2004 but vested before 1 January 2006 and therefore not recognised in the financial statements, in accordance with the transitional requirements of FRS 2.
- 3 These outstanding options were granted and vested after 1 January 2006 and therefore recognised in accordance with the requirements of FRS 2 during 2006 as below:

	Number of options	Fair value RM
Granted to Directors	1,617,100	404,275
Granted to staff	9,820,000	2,455,000
	11,437,100	2,859,275

27. SHARE CAPITAL (CONT'D)

(b) Executive Share Option Scheme (Cont'd)

4 The balance of options as at the balance sheet are exercisable as at the balance sheet date.

On 4 January 2007, as the results of the extension is regarded as a modification to the equity-settled share-based payment scheme the incremental fair value of the ESOS amounting to RM1,267,589 was recognised as ESOS expense in the income statement at the date of modification with a corresponding increase in equity compensation reserve.

	Fair value
	RM
Extended for Directors	146,650
Extended for staff	1,120,939
	1,267,589

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

	Company	
	2009	2008
Number of options granted since implementation of ESOS	44,160,500	44,160,500
Less:		
Number of options exercised since implementation of ESOS	(30,487,060)	(26,496,660)
Number of options forfeited since implementation of ESOS	(6,077,700)	(5,502,200)
Number of options outstanding	7,595,740	12,161,640

(ii) Share options exercised during the year

Details of share options exercised during the year and the fair values, at exercise dates, of ordinary shares issued are as follows:

Exercise dates	Exercise prices	Fair values of ordinary shares	Number of options	Consideration received
	RM	RM		RM
2009				
December	1.00	1.71	792,600	792,600
October to December	1.06	1.44 to 1.71	1,673,600	1,774,016
August and December	1.00	1.40 to 1.71	93,700	93,700
June, November to December	1.00	1.44 to 1.71	1,430,500	1,430,932
			3,990,400	4,091,248
Less: Par value of ordinary shares				(3,990,400)
Share premium				100,848
2008				
January to February	1.33	1.95 to 2.12	9,000	11,970
February	1.95	1.95	3,000	5,850
January, February and April	1.18	1.95 to 2.12	327,100	385,978
February to May, August	1.36	1.45 to 2.07	619,100	841,976
			958,200	1,245,774
Less: Par value of ordinary shares				(958,200)
Share premium				287,574

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27. SHARE CAPITAL (CONT'D)

(b) Executive Share Option Scheme (Cont'd)

(iii) Fair value of share options granted during 2006

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	<u>On 3 May 2006</u>
Fair value of ESOS granted	25 sen
Weighted average share price (RM)	1.36
Exercise price (RM)	1.36
Expected volatility (%)	40%
90-day historical volatility (%)	49.7%
260-day historical volatility (%)	36.8%
Expiry date *	17 February 2008
Risk-free interest rate (%)	3.65%
Dividend yield (%)	5.68%

Actual volatility in the future may differ from the expected volatility, nonetheless the expected volatility reflects the Group's best estimate of future volatility over the remaining option period.

* On 4 January 2007, the duration of ESOS which was due to expire on 17 February 2008 had been extended for another 5 years to 17 February 2013.

(iv) Incremental fair value of share options extended for another 5 years in 2007

The incremental fair value of the extended equity-settled share options is estimated as at the date of modification using a binomial model, taking into account the terms and conditions before and after the modification of the terms of options. The following table lists the inputs to the model used:

	<u>On 4 January 2007</u>			
	<u>Date of Grant</u>			
	<u>27.6.2003</u>	<u>16.3.2004</u>	<u>29.4.2005</u>	<u>3.5.2006</u>
Incremental fair value of ESOS modified	2.4 sen	9.5 sen	0.8 sen	2.9 sen
Weighted average share price (RM)	1.93	1.93	1.93	1.93
Exercise price (RM)	1.33	1.95	1.18	1.36
Expected volatility:				
- before modification	40%	40%	40%	40%
- after modification	30%	30%	30%	30%
Historical volatility				
- 90-day	34.4%	34.4%	34.4%	34.4%
- 260-day	41.2%	41.2%	41.2%	41.2%
Expiry date	17 Feb 2013	17 Feb 2013	17 Feb 2013	17 Feb 2013
Risk-free interest rate:				
- before modification	3.80%	3.80%	3.80%	3.80%
- after modification	4.50%	4.50%	4.50%	4.50%
Dividend yield	6.74%	6.74%	6.74%	6.74%

Actual volatility in the future may differ from the expected volatility, nonetheless the expected volatility reflects the Group's best estimate of future volatility over the remaining option period.

28. TREASURY SHARES

	Group and Company	
	2009	2008
	RM	RM
At cost		
At beginning of year	29,778,856	29,597,121
Share buybacks	2,965	181,735
At end of year	29,781,821	29,778,856
Number of treasury shares		
At beginning of year	24,147,412	24,046,412
Share buybacks	2,000	101,000
At end of year	24,149,412	24,147,412
Total number of outstanding shares in issue after set off (excluding treasury shares held)	654,515,733	648,921,527
Total number of issued and fully paid ordinary shares	678,665,145	673,068,939

The shareholders of the Company, by a special resolution passed in the Extraordinary General Meeting ("EGM") held on 18 December 2000, approved the Company's plan to repurchase its own ordinary shares. The Company has annually obtained the approval of the shareholders to repurchase its own ordinary shares subject to the conditions of:

- (i) the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company's last audited retained profits and/or the share premium account at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

The Directors are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan is to the best interests of the Company and its shareholders. The repurchase transactions were mainly financed by internally generated funds coupled with minimum borrowings.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The Company may distribute the treasury shares as dividend to the shareholders or re-sell the treasury shares in the market in accordance with the Rules of Bursa Securities or cancel the shares in accordance with Section 67A of the Companies Act, 1965.

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28. TREASURY SHARES (CONT'D)

All the shares repurchased were conducted through OSKIB, a wholly owned subsidiary company in the ordinary course of business on terms similar to those arranged with independent stockbroking third parties.

Details of the share buybacks are as follows:

	Highest price	Lowest price	Average cost*	Number of shares	Total amount paid
	RM	RM	RM		RM
31.12.2009					
At beginning of year	2.82	0.90	1.23	24,147,412	29,778,856
Share buybacks during the year:					
May 2009	1.41	1.41	1.41	1,000	1,413
November 2009	1.51	1.51	1.51	1,000	1,552
	1.51	1.41	1.48	2,000	2,965
At end of year	2.82	0.90	1.23	24,149,412	29,781,821
31.12.2008					
At beginning of year	1.88	0.90	1.23	24,046,412	29,597,121
Share buybacks during the year:					
May 2008	1.80	1.80	1.81	100,000	180,774
August 2008	0.92	0.92	0.96	1,000	961
	1.80	0.92	1.80	101,000	181,735
At end of year	2.82	0.90	1.23	24,147,412	29,778,856

* Average cost includes transaction costs.

29. RESERVES

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Share premium	(a)	501,591	-	501,591	-
Capital redemption reserve	(b)	-	58,919,600	-	58,919,600
Equity compensation reserve	(c)	1,093,893	1,963,933	1,093,893	1,752,270
Foreign exchange reserve		6,615,746	(760,513)	-	-
Statutory reserve	(d)	206,077,717	164,129,112	-	-
AFS reserve	(e)	(9,024,324)	(15,113,287)	-	-
Other reserves	(f)	-	34,685,666	-	-
		205,264,623	243,824,511	1,595,484	60,671,870
Retained profits		432,992,067	493,286,196	230,418,834	304,205,580
		638,256,690	737,110,707	232,014,318	364,877,450

NOTES TO THE FINANCIAL STATEMENTS
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29. RESERVES (CONT'D)

(a) Share premium

	Note	Group and Company	
		2009	2008
		RM	RM
At beginning of year		-	99,362,871
Exercise of ESOS	27(b)	100,848	287,574
Conversion of Warrant B 2000/2010	27(a)	401,452	-
Share issue expenses		(709)	(1,750)
Utilised for distribution of shares in a listed subsidiary company		-	(99,648,695)
At end of year		501,591	-

(b) Capital redemption reserve

The capital redemption reserve arose from the cancellation of treasury shares carried out in 2002 and 2004 as follows:

	Group and Company	
	Ordinary shares of RM1 each	Cost RM
(a) 2002	23,437,000	23,437,000
(b) 2004	35,482,600	35,482,600
	58,919,600	58,919,600
Utilised for distribution of shares in a listed subsidiary company	(58,919,600)	-
	-	58,919,600

(c) Equity compensation reserve

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
At beginning of year	1,963,933	2,352,220	1,752,270	1,945,930
Transfer to retained profits due to exercise/forfeiture of ESOS	(658,377)	(388,287)	(658,377)	(193,660)
Distribution of shares in a listed subsidiary company	(211,663)	-	-	-
At end of year	1,093,893	1,963,933	1,093,893	1,752,270

Included in equity compensation reserve of the Group is fair value of the share options of a listed subsidiary company, OSK Ventures International Berhad ("OSKVI") which were granted to eligible employees and the cost of investment in OSKVI was distributed to the shareholders of the Company on 28 August 2009. The details of the share options of the Company are disclosed in Note 27(b).

NOTES TO THE FINANCIAL STATEMENTS
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29. RESERVES (CONT'D)

(d) Statutory reserve

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

(e) AFS reserve

The AFS reserve represents reserves arising from revaluation of securities AFS held as at the balance sheet date in accordance with the requirements of BNM/GP8.

(f) Other reserves

Other reserves comprise gains or losses on deemed disposals of investments in associated companies, net of accumulated realisation from actual disposals. The reserves were utilised for distribution of OSKVI shares as disclosed in Note 48(f).

30. INTEREST INCOME

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Loans, advances and financing	78,047,360	89,350,423	-	-
Deposits and placements with financial institutions	33,927,124	43,963,051	217,257	318,656
Securities HFT	844,648	600,768	-	-
Securities HTM	31,906,443	7,828,017	-	-
Securities AFS	57,397,749	59,037,937	-	-
Stock-broking and futures broking clients	1,761,312	1,351,388	-	-
Subsidiary company	-	-	-	89,508
Others	1,370,859	1,401,469	3,591	9,277
	205,255,495	203,533,053	220,848	417,441
Accretion of discount less amortisation of premium	24,399,889	17,292,811	-	-
Interest suspended	(2,995,399)	(2,896,579)	-	-
	226,659,985	217,929,285	220,848	417,441

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

31. INTEREST EXPENSE

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Deposits from customers	106,736,659	100,387,100	-	-
Deposits and placements of financial institutions	132,993	101,655	-	-
Obligations on securities sold under repurchase agreements	592	11,157	-	-
Subordinated notes	7,237,192	3,493,151	-	-
Borrowings	8,738,418	14,629,837	1,744,351	3,367,491
Profit payment on BalDS	-	2,062,500	-	-
Accretion of discount on BalDS	-	1,262,916	-	-
Subsidiary companies	-	-	2,230,370	2,252,586
Others	79,782	253,829	-	-
	122,925,636	122,202,145	3,974,721	5,620,077

32. OTHER OPERATING INCOME

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) Fees and commission				
Advisory, agency, arrangement, placement and referral fees	41,608,609	31,627,548	-	-
Commission	12,522,093	7,352,859	-	-
Fees earned from management of unit trust funds	45,896,060	47,404,596	-	-
Gross brokerage fees	379,696,723	279,902,949	-	-
Loan processing, facility and commitment fees	18,872,307	18,764,264	-	-
Service charges on sale of trust units	32,096,281	15,588,237	-	-
Trustee and will-writing fees	5,689,802	5,729,664	-	-
Others	1,758,210	1,540,027	-	-
	538,140,085	407,910,144	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

32. OTHER OPERATING INCOME (CONT'D)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(b) Net (loss)/gain arising from sale of securities and derivatives				
Securities HFT	5,208,792	(19,770,872)	1,377,199	(5,911,897)
Securities HTM	657,731	-	-	-
Securities AFS	5,082,909	(6,575,777)	-	-
Derivative financial instruments	(29,630,734)	85,647,909	(990,061)	2,237,038
Loss on disposal of subsidiary company [Note 48(e)]	-	-	(2,258,937)	-
(Loss)/gain on disposal of shares in associated companies				
- to a subsidiary [Note 48(a)]	-	-	6,577,105	-
- to others [Note 48(d)]	(2,676,352)	-	-	-
	(21,357,654)	59,301,260	4,705,306	(3,674,859)
(c) Gross dividend income				
Securities HFT	1,786,672	2,070,594	175,199	260,597
Securities AFS	987,597	1,025,123	-	-
Quoted subsidiary company in Malaysia	-	-	-	11,002,517
Unquoted subsidiary company in Malaysia	-	-	14,673,750	155,542,500
	2,774,269	3,095,717	14,848,949	166,805,614
(d) Unrealised loss/(gain) on revaluation of trading securities and derivatives				
Securities HFT	2,626,424	(11,987,140)	716,739	(10,213,174)
Derivative financial instruments	(17,207,607)	533,399	11,165	(11,165)
	(14,581,183)	(11,453,741)	727,904	(10,224,339)
(e) Unrealised gain/(loss) on derivatives				
Unexpired structured warrants	42,653,922	(38,102,142)	-	-
(f) Unrealised gains from foreign exchange translations	5,263,504	6,589,289	159,170	486,923

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

32. OTHER OPERATING INCOME (CONT'D)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(g) Other income				
Net gain on disposal of equipment	242,619	109,344	-	-
Realised gain/(loss) on foreign exchange	9,613,829	4,978,699	(298,389)	(669,124)
Net gain on interest rate swaps	74,313	196,395	-	-
Rental income	6,094,290	14,411,625	-	-
Revenue from property development projects	-	76,371,290	-	-
Sales of oil palm produce	144,805	1,263,111	-	-
Reversal of provision for legal compensation and interest costs	-	59,218,542	-	-
Negative goodwill on share buybacks by a subsidiary company	902	6,155,613	-	-
Gain on revaluation of investment property	-	47,703,927	-	-
Others	5,618,670	4,744,438	30,851	2,084
	21,789,428	215,152,984	(267,538)	(667,040)
Total other operating income	574,682,371	642,493,511	20,173,791	152,726,299

33. OTHER OPERATING EXPENSES

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) Personnel expenses				
Salaries, allowances, bonuses and gratuity	164,760,421	159,650,703	594,760	577,500
Pension costs - defined contribution plan	12,815,101	16,424,326	46,800	46,800
Others	6,126,045	8,176,538	3,194	889
	183,701,567	184,251,567	644,754	625,189
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	7,781,035	9,593,826	16,601	119,932
Commission	159,342,214	85,804,426	17,300	53,670
Fees and charges	45,808,563	43,849,632	6,380	12,103
Property development activities	-	59,392,350	-	-
Deposit insurance	1,003,271	-	-	-
Others	5,211,863	10,091,777	-	-
	219,146,946	208,732,011	40,281	185,705

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

33. OTHER OPERATING EXPENSES (CONT'D)

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(c) Establishment related expenses				
Depreciation and amortisation	14,976,623	15,047,489	605	605
Insurance	2,500,684	3,100,589	2,259	4,817
Rental of equipment	4,681,678	5,124,562	-	-
Rental of premises	17,052,361	15,497,334	-	-
Repair and maintenance	8,247,255	7,615,748	-	-
Utility expenses	5,342,593	6,001,041	-	-
Others	2,647,646	2,873,297	-	-
	55,448,840	55,260,060	2,864	5,422
(d) General administrative expenses				
Communication expenses	6,927,431	6,783,538	69,338	81,606
Legal and professional fees	5,008,208	7,288,462	507,940	685,270
Printing and stationery	6,622,844	6,591,165	200,486	88,017
Administrative expenses	15,996,986	18,964,962	686,095	670,954
Others	1,425,909	3,048,921	-	97,936
	35,981,378	42,677,048	1,463,859	1,623,783
Total other operating expenses	494,278,731	490,920,686	2,151,758	2,440,099

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

33. OTHER OPERATING EXPENSES (CONT'D)

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Included in the income statements are the followings:					
Auditors' remuneration					
(i) Statutory audit					
- current year					
- Parent auditor		337,021	427,781	32,000	30,000
- an affiliate of Parent auditor		89,151	60,173	-	-
- other firms		695,121	638,576	-	-
- (over)/underprovision in prior year					
- Parent auditor		25,849	-	4,000	-
- other firms		(34,977)	(23,605)	-	-
(ii) Other services - current year					
- Parent auditor		83,000	33,250	3,000	3,000
		1,195,165	1,136,175	39,000	33,000
Amortisation of:					
- prepaid land lease payments	17	139,572	139,574	-	-
- software licences	19	660,875	254,234	-	-
Depreciation		14,176,176	14,653,681	605	605
Directors' remuneration					
40					
(i) Fees - current year					
		755,066	597,500	204,760	187,500
(ii) Other emoluments					
		8,058,794	6,958,512	454,564	454,353
		8,813,860	7,556,012	659,324	641,853
Rental income of premises		(6,094,290)	(14,411,625)	-	-
Rental of equipment		4,681,678	5,124,562	-	-
Rental of premises		17,052,361	15,497,334	-	-
Staff costs:					
- Employees Provident Fund					
		11,960,234	15,689,626	-	-
- social security costs					
		732,962	796,290	-	-
- salaries, allowances, bonuses and gratuity					
		156,881,466	152,930,703	-	-
- other staff related expenses					
		5,313,045	7,278,936	-	-
		174,887,707	176,695,555	-	-
Write off of equipment					
		155,868	143,735	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

34. WRITE BACK OF/(ALLOWANCE FOR) LOSSES ON LOANS, ADVANCES AND FINANCING

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Specific allowance				
- Made	(3,685,949)	(13,662,346)	-	-
- Written back	9,411,584	69,494	-	-
General allowance (net)				
- (Made)/Written back	(5,305,463)	488,488	-	-
Bad debts				
- Recovered	3,069,278	746,020	-	-
- Written off	(201,230)	(64,261)	-	-
	3,288,220	(12,422,605)	-	-

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

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Specific allowance				
- Made	(3,844,684)	(10,292,113)	-	-
- Written back	5,399,960	8,999,526	-	-
General allowance (net)				
- Written back	17,615	17,488	-	-
Bad debts				
- Recovered	194,279	164,484	-	-
- Written off	(289,459)	(41,962)	-	-
	1,477,711	(1,152,577)	-	-

36. WRITE BACK OF/(ALLOWANCE FOR) IMPAIRMENT LOSSES

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Securities HFT	970,100	(1,798,152)	-	(798,152)
Securities AFS	2,000,000	(22,000,000)	-	-
Goodwill on consolidation	(127,040)	-	-	-
Investment in a subsidiary company	-	-	-	(628,892)
Investments in associated companies	4,839,102	(19,440,000)	-	-
	7,682,162	(43,238,152)	-	(1,427,044)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

37. INCOME TAX EXPENSE

	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
In respect of the current year					
Malaysian income tax		(41,636,196)	(31,795,198)	(2,537,034)	(38,956,762)
Foreign income tax		(10,277,831)	(7,398,255)	(346)	-
		<u>(51,914,027)</u>	<u>(39,193,453)</u>	<u>(2,537,380)</u>	<u>(38,956,762)</u>
Over/(under) provision in respect of prior years					
Malaysian income tax		876,614	(861,491)	290,030	3,902
Foreign income tax		819,940	1,259,460	-	-
		<u>1,696,554</u>	<u>397,969</u>	<u>290,030</u>	<u>3,902</u>
Deferred taxation:					
Deferred tax assets	13(a)	(2,911,812)	(8,035,752)	(2,466,672)	2,466,672
Deferred tax liabilities	13(b)	(766,857)	17,055,059	(766,441)	90,086
		<u>(3,678,669)</u>	<u>9,019,307</u>	<u>(3,233,113)</u>	<u>2,556,758</u>
		<u>(53,896,142)</u>	<u>(29,776,177)</u>	<u>(5,480,463)</u>	<u>(36,396,102)</u>
Movement in deferred taxation is analysed as follows:-					
Origination and reversal of temporary differences					
		(3,677,698)	8,726,712	(3,233,113)	2,556,758
Under/(over) provision in prior year					
		(971)	292,595	-	-
		<u>(3,678,669)</u>	<u>9,019,307</u>	<u>(3,233,113)</u>	<u>2,556,758</u>

Income tax expense for the Company is calculated based on the statutory income tax rate of Malaysia at 25% (2008: 26%) of the estimated taxable profit for the year. The domestic statutory tax rate has been reduced to 25% from the previous year's rate of 26%. The computation of deferred tax as at 31 December 2009 has reflected this change.

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 : 25% (2008: 20%)
In excess of RM500,000 : 25% (2008: 26%)

Income tax rates applicable to the subsidiary companies in Hong Kong and Singapore are 17.5% (2008: 17.5%) and 17% (2008: 18%) respectively. Subsidiary companies in Indonesia is 28% (2008: 10% to 13%) and subsidiary companies in Cambodia is 20% (2008: 20%).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

37. INCOME TAX EXPENSE (CONT'D)

The reconciliation between the tax at statutory tax rate of 25% (2008: 26%) on the profit before tax and the tax expense is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Profit before tax ("PBT")	191,022,053	168,186,520	14,268,160	143,656,520
Tax at Malaysian statutory tax rate on PBT	47,755,513	43,728,495	3,567,040	37,350,695
Effects of:				
- Malaysian statutory tax rate of 20% on PBT	-	946,153	-	-
- different tax rates in foreign jurisdictions/other authorities	(5,765,830)	(1,520,799)	347	-
- non-taxable income	(4,677,666)	(42,423,952)	(1,312,347)	(2,262,807)
- non-deductible expenses	15,961,282	27,786,210	3,515,453	1,312,116
- lower tax rate on opening balance of deferred tax	(48,921)	(84,196)	-	-
- income subject to tax pursuant to section 60(F) of Income Tax Act 1967	-	540	-	-
Deferred tax asset not recognised	2,924,033	2,134,781	-	-
Utilisation of tax losses and capital allowances not recognised in prior year	(556,597)	(100,491)	-	-
Over provision of tax in prior years	(1,696,554)	(397,969)	(290,030)	(3,902)
Over/(under)provision of deferred tax in prior years	882	(292,595)	-	-
Income tax expense	53,896,142	29,776,177	5,480,463	36,396,102

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is 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 Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2009 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2009, the Company has sufficient credit in the Section 108 balance and the exempt income account to pay franked dividends amounting to RM230,419,000 (2008: RM304,834,000) out of its entire retained profits.

NOTES TO THE FINANCIAL STATEMENTS
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37. INCOME TAX EXPENSE (CONT'D)

The Group has the following tax relief to offset against future taxable profits:

	2009	Group
	RM	2008
		RM
Unabsorbed tax losses	37,581,295	34,558,301
Unabsorbed capital allowances	220,826	144,477
	37,802,121	34,702,778

Deferred tax assets have not been recognised in respect of unused tax losses and unabsorbed capital allowances of certain subsidiary companies as they have arisen in subsidiary companies that have a recent history of losses. The availability of the Malaysian unused tax losses for offsetting against future taxable profits of the subsidiary companies is subject to no substantial changes in shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act, 1967.

Unutilised tax losses carried forward of US\$393,930 (RM1,349,013 equivalent) (2008: US\$480,921, or RM1,665,910 equivalent) arising in a foreign subsidiary bank in Cambodia is available to offset against taxable profit of subsequent years that will expire in the year ending 31 December 2013.

38. EARNINGS PER SHARE

	2009	Group
		2008
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM)	112,628,540	134,774,151
Weighted average number of ordinary shares in issue	649,087,962	648,783,393
Basis earnings per share (sen)	17.35	20.77
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM)	112,628,540	134,774,151
Weighted average number of ordinary shares in issue	649,087,962	648,783,393
Effect of dilution on assumed conversion of Warrant B 2000/2010 and exercise of options granted under ESOS	17,398,190	1,296,285
Adjusted weighted average number of ordinary shares in issue and issuable	666,486,152	650,079,678
Diluted earnings per share (sen)	16.90	20.73

Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue, net of the number of treasury share adjusted for the dilutive effects of all potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

39. DIVIDENDS

	Amount		Group and Company Net dividend per share	
	2009 RM	2008 RM	2009 Sen	2008 Sen
For the year ended 31 December 2009				
Interim dividend of 2.5 sen per share less 25% income tax, paid on 14 October 2009	12,167,782	-	1.875	-
For the year ended 31 December 2008				
Final dividend of 2.5 sen per share less 25% income tax, paid on 27 May 2009	12,167,277	-	1.875	-
Interim dividend of 5.0 sen per share less 26% income tax, paid on 21 October 2008	-	24,010,123	-	3.700
For the year ended 31 December 2007				
Final dividend of 10.0 sen per share less 26% income tax, paid on 22 May 2008	-	48,026,653	-	7.400
	24,335,059	72,036,776	3.750	11.100

The Board of Directors has recommended a final dividend of 5.0 sen per share less 25% income tax for the year ended 31 December 2009. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the year ending 31 December 2010.

40. SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating policy decisions, or the parties are subject to common control or significant influence.

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, including any Director (whether executive or otherwise). The key management personnel compensation is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Directors:				
Executive				
Fees	143,333	162,500	30,000	30,000
Remuneration	483,889	617,500	390,000	390,000
	<u>627,222</u>	<u>780,000</u>	<u>420,000</u>	<u>420,000</u>
Estimated money value of benefits-in-kind	22,040	29,255	17,764	17,553
Total short-term employee benefits	649,262	809,255	437,764	437,553
Post-employment benefits				
- defined contribution plan	58,067	74,100	46,800	46,800
	<u>707,329</u>	<u>883,355</u>	<u>484,564</u>	<u>484,353</u>
Non Executive				
Fees	611,733	435,000	174,760	157,500
Remuneration	6,640,000	5,505,000	-	-
	<u>7,251,733</u>	<u>5,940,000</u>	<u>174,760</u>	<u>157,500</u>
Estimated money value of benefits-in-kind	57,998	72,057	-	-
Total short-term employee benefits	7,309,731	6,012,057	174,760	157,500
Post-employment benefits				
- defined contribution plan	796,800	660,600	-	-
	<u>8,106,531</u>	<u>6,672,657</u>	<u>174,760</u>	<u>157,500</u>
<i>Total for Directors</i>	<u>8,813,860</u>	<u>7,556,012</u>	<u>659,324</u>	<u>641,853</u>
Other key management personnel:				
Short-term employee benefits	24,076,776	23,065,328	-	-
Post-employment benefits				
- defined contribution plan	1,863,603	1,591,212	-	-
	<u>25,940,379</u>	<u>24,656,540</u>	<u>-</u>	<u>-</u>
<i>Total for key management personnel compensation</i>	<u>34,754,239</u>	<u>32,212,552</u>	<u>659,324</u>	<u>641,853</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration

The Directors' remuneration included in other operating expenses as disclosed in Note 40(a) and 33 are paid/ payable to the following Directors of the Company:

2009

Non-Executive Directors

Dato' Nik Mohamed Din bin Datuk Nik Yusoff - Redesignated as a Non-Executive Director on 28 December 2009

Ong Leong Huat @ Wong Joo Hwa

Wong Chong Kim

Dr Ngo Get Ping

Dato' Abdul Majit bin Ahmad Khan

Foo San Kan

Dr Choong Tuck Yew

- Retired on 15 April 2009

Wong Chong Che

- Resigned on 15 April 2009

2008

Executive Directors

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Non-Executive Directors

Ong Leong Huat @ Wong Joo Hwa

Wong Chong Kim

Wong Chong Che

Dr Choong Tuck Yew

Dr Ngo Get Ping

The number of Directors of the Company whose total remuneration fell within the following bands based on their designation as at Balance Sheet date are shown as follows:

	Number of Directors	
	2009	2008
Executive:		
RM800,001 up to RM850,000	-	1
	-	1
Non-Executive:		
RM50,000 and below	3	2
RM100,001 up to RM150,000	1	1
RM150,001 up to RM200,000	1	-
RM500,001 up to RM550,000	1	-
RM1,500,001 up to RM1,550,000	-	1
RM1,850,001 up to RM1,900,000	1	-
RM4,750,001 up to RM4,800,000	-	1
RM4,900,001 up to RM4,950,000	1	-
	8	5

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) Subsidiary and associated companies

The relationship, outstanding balances between the Company and its subsidiary and associated companies are disclosed in Note 47 and Notes 11(c), 14 and 15 respectively. The transactions with subsidiary companies during the year are as follows:

Transaction value with subsidiary companies	Company	
	2009	2008
	RM	RM
Interest expenses	2,230,370	2,252,686

(d) Other related parties

Identities	Nature of transactions	Group	
		2009	2008
		RM	RM
(i) <u>PJ Development Holdings Berhad Group of Companies</u>			
PJD Construction Sdn. Bhd.	Amount paid for construction works for property development projects	-	8,683,264
PJD Management Services Sdn. Bhd.	Office rental and parking fees received	(666,240)	(683,540)
Swiss Garden International Vacation Club	Office rental and parking fees received	(351,090)	(345,900)
(ii) <u>Dindings Consolidated Sdn. Bhd. Group of Companies</u>			
DC Services Sdn. Bhd.	Insurance premium paid	729,835	876,239
Dindings Construction Sdn. Bhd.	Office maintenance/renovations/construction works paid	-	20,464,884
Dinding Risks Management Services Sdn. Bhd.	Insurance premium paid	749,173	864,483
(iii) <u>OSK Property Holdings Berhad</u>			
OSK Property Holdings Berhad	Interest expense	303,688	151,523

Certain Directors/major shareholders of PJ Development Holdings Berhad, Dindings Consolidated Sdn. Bhd. and OSK Property Holdings Berhad are the family members of Mr. Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim.

The above transactions have been entered in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

41. UNRECOGNISED CONTRACTUAL COMMITMENTS

	Note	Group	
		2009 RM	2008 RM
(a) Capital commitments			
Contracted but not provided for			
- Acquisition of office equipment		5,162,089	7,189,473
Authorised but not contracted for:			
- Acquisition of unquoted preference shares		857,500	857,500
- Capital injection into a subsidiary company	48 (c)	41,950,125	-
- Registered capital in an indirect subsidiary company		-	5,927,220
(b) Non-cancellable operating lease commitments			
- Group as Lessee			
Future minimum rentals payable:			
- not later than one year		9,996,952	13,961,173
- later than one year and not later than five years		45,424,395	11,605,303
- more than five years		5,078,980	-
		108,470,041	39,540,669

Banking related commitment and contingencies are disclosed in Note 51.

42. CONTINGENT LIABILITIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unsecured				
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries:				
- Denominated in RM	-	-	181,196,232	152,561,932
- Denominated in HKD	-	-	11,039,875	2,234,855
Bank guarantee provided by OSKIB to Bursa Malaysia Clearing Sdn. Bhd.	1,069,726	789,576	-	-
Bank guarantee in favour of HKFE Clearing Corporation Limited provided by OSK Futures Hong Kong Limited	2,207,975	2,235,000	-	-
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT OSK Nusadana Securities Indonesia	27,300,000	23,700,000	-	-
Bank guarantee in favour of The Central Depository Pte Ltd provided by DMG & Partners Securities Pte Ltd	4,880,200	4,814,000	-	-
Bank guarantee for lease of premises provided by DMG & Partners Securities Pte Ltd	1,262,349	1,245,225	-	-
Guarantees given by unit trust subsidiary company to the trustee of certain unit trust funds	-	1,931,785	-	-
	36,720,250	34,715,586	192,236,107	154,796,787

43. SEGMENT INFORMATION

(a) Business segments

The Group is organised into the following major business segments :

- | | | |
|---------------------|---|---|
| Investment Banking | - | Equities and Debt Capital Market, Derivatives and Structured Products, Corporate Advisory, Treasury, Islamic Banking and Offshore Investment Banking. |
| Loan & Financing | - | Corporate Loans, Share Margin Financing, Capital Financing and Commercial Banking Services. |
| Equities & Futures | - | Stockbroking & Futures Broking, Nominee Services and related services. |
| Funds Management | - | Unit Trust Fund Management, Islamic Funds Services and Asset Management. |
| Venture Capital | - | Provision of Venture Capital Services and Investee Entities, also known as Private Equity Business. |
| Property Investment | - | Management and Letting of Properties. |
| Holding Entities | - | Investment Holding Companies. |
| Others | - | Not significant for separate disclosure. |

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties have been eliminated to arrive at the Group's results.

The comparative segment information for the year ended 31 December 2009 have been re-presented to conform with current year segments information.

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43. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2009	Investment	Loan &	Equities &	Fund	Venture	Property	Holding	Others	Total	Elimina-	Conso-
	Banking	Financing	Futures	Manage-	Capital	Invest-	Entities			tions	lidated
	RM'000	RM'000	RM'000	ment	RM'000	ment	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue											
- External parties	233,186	81,571	411,893	79,208	(1,690)	6,269	1,522	8,409	820,368	-	820,368
- Inter segment revenue	195	536	16,047	1,228	7,516	11,765	19,002	43	56,332	(56,332)	-
Total	233,381	82,107	427,940	80,436	5,826	18,034	20,524	8,452	876,700	(56,332)	820,368
Results											
Profit/(loss) from operations with external parties	182,520	39,680	81,074	12,210	526	(1,227)	(18,597)	1,400	297,586	27,458	325,044
Add : Inter segment revenue	195	536	16,047	1,228	7,516	11,765	19,002	43	56,332	(56,332)	-
Less : Inter segment expenses	(72)	(560)	(15,743)	(2,181)	(3,285)	(116)	(2,438)	(611)	(25,006)	25,006	-
Profit/(loss) before funding costs	182,643	39,656	81,378	11,257	4,757	10,422	(2,033)	832	328,912	(3,868)	325,044
Less: funding costs	(109,700)	(7,121)	(7,917)	-	-	(1,695)	(361)	-	(126,794)	3,868	(122,926)
Segment profits/(losses)	72,943	32,535	73,461	11,257	4,757	8,727	(2,394)	832	202,118	-	202,118
Share of profits/(losses) after tax of associated companies	-	-	-	562	(11,658)	-	-	-	(11,096)	-	(11,096)
Profit/(loss) before tax	72,943	32,535	73,461	11,819	(6,901)	8,727	(2,394)	832	191,022	-	191,022
Income tax expense											(53,896)
Profit after tax											137,126
Minority interests											(24,497)
Profit attributable to equity holders of the Company											112,629

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43. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2009	Investment Banking, Loans, Equities & Futures	Commercial Banking	Fund Management	Venture Capital	Property Investment	Holding Entities	Others	Conso- lidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Tangible assets	9,176,388	142,237	31,698	-	240,713	34,874	17,794	9,643,704
Intangible assets	148,460	8,137	750	-	-	51,200	1,307	209,854
	9,324,848	150,374	32,448	-	240,713	86,074	19,101	9,853,558
Investment in associated companies	7,665	-	12,896	-	-	(193)	-	20,368
Segment assets	9,332,513	150,374	45,344	-	240,713	85,881	19,101	9,873,926
Unallocated assets								13,191
Consolidated total assets								9,887,117
Liabilities								
Segment liabilities	8,169,536	54,598	27,678	-	52,232	29,830	10,336	8,344,210
Unallocated liabilities								31,220
Consolidated total liabilities								8,375,430
Other information								
Capital expenditure	10,688	5,608	53	200	510	6	8	17,073
Non-cash expenses:								
Allowance for bad and doubtful debts	14,684	565	-	-	-	-	-	15,249
Allowance for bad and doubtful debts written back	(17,242)	-	-	-	-	-	-	(17,242)
Accretion of discount less amortisation of premium	(24,323)	-	-	(77)	-	-	-	(24,400)
Bad debts written off	489	-	-	-	-	-	2	491
Depreciation and amortisation	11,514	906	512	147	1,762	1	134	14,976
Reversal of impairment loss on securities HFT	(1,000)	-	-	30	-	-	-	(970)
Reversal of impairment loss on securities AFS	(2,000)	-	-	-	-	-	-	(2,000)
Reversal of impairment loss on associated company	-	-	-	(4,839)	-	-	-	(4,839)
Impairment loss on goodwill on consolidation	76	-	26	-	-	-	25	127
Net (gain)/loss on disposal of property and equipment	(268)	-	25	-	-	-	-	(243)
Equipment written off	155	-	-	1	-	-	-	156
Unrealised loss on revaluation of derivative financial instrument	17,219	-	-	-	-	(11)	-	17,208
Unrealised gain on revaluation of HFT	(1,848)	-	(61)	-	-	(717)	-	(2,626)
Unrealised (gain)/loss on foreign exchange	(5,420)	-	-	328	-	(158)	(14)	(5,264)
	(7,964)	1,471	502	(4,410)	1,762	(885)	147	(9,377)

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43. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2008	Invest- ment Banking	Loan & Finan- cing	Equities & Futures	Fund Manage- ment	Venture Capital	Property Develop- ment	Property Invest- ment	Holding Entities	Others	Total	Elimina- tions	Conso- lidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External revenue	180,423	91,241	336,088	63,598	(565)	84,979	56,065	(5,880)	6,216	812,165	-	812,165
Inter-segment revenue	-	-	15,991	1,447	10,058	578	9,859	163,429	69	201,431	(201,431)	-
Total	180,423	91,241	352,079	65,045	9,493	85,557	65,924	157,549	6,285	1,013,596	(201,431)	812,165
Results												
Profit/(loss) from operations with external parties	154,832	43,805	69,681	10,283	(19,239)	19,095	49,120	(182,179)	(314)	145,084	168,993	314,077
Add : Inter segment revenue	-	-	15,991	1,447	10,058	578	9,859	163,429	69	201,431	(201,431)	-
Less : Inter segment expenses	(3,015)	(876)	(14,963)	(2,457)	(4,628)	(386)	(405)	-	(728)	(27,458)	27,458	-
Profit/(loss) before funding costs	151,817	42,929	70,709	9,273	(13,809)	19,287	58,574	(18,750)	(973)	319,057	(4,980)	314,077
Less: funding costs	(100,290)	(7,919)	(11,101)	-	-	(8,812)	(2,253)	3,193	-	(127,182)	4,980	(122,202)
Segment profits/(losses)	51,527	35,010	59,608	9,273	(13,809)	10,475	56,321	(15,557)	(973)	191,875	-	191,875
Share of profits/(losses) after tax of associated companies	-	-	-	404	(24,093)	-	-	-	-	(23,689)	-	(23,689)
Profit/(loss) before tax	51,527	35,010	59,608	9,677	(37,902)	10,475	56,321	(15,557)	(973)	168,186	-	168,186
Income tax expense												(29,776)
Profit after tax												138,410
Minority interests												(3,636)
Profit attributable to equity holders of the Company												134,774

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43. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2008	Investment Banking, Loans, Equities & Futures	Commercial Banking	Fund Mana- gement	Venture Capital	Property Develop- ment	Property Invest- ment	Holding Entities	Others	Conso- lidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Tangible assets	5,208,968	48,495	44,212	103,149	-	241,792	24,697	16,259	5,687,572
Intangible assets	204,821	1	-	549	-	-	5,007	1,402	211,780
	5,413,789	48,496	44,212	103,698	-	241,792	29,704	17,661	5,899,352
Investment in associated companies	3,476	-	-	201,032	-	-	7,376	-	211,884
Segment assets	5,417,265	48,496	44,212	304,730	-	241,792	37,080	17,661	6,111,236
Unallocated assets									27,439
Consolidated total assets									6,138,675
Liabilities									
Segment liabilities	4,323,057	4,915	9,128	615	-	51,891	57,401	1,851	4,448,858
Unallocated liabilities									10,433
Consolidated total liabilities									4,459,291
Other information									
Capital expenditure	16,266	3,635	431	374	459	5,317	10	856	27,348
Non-cash expenses:									
Accretion of discount on BalDS	-	-	-	-	-	-	1,263	-	1,263
Allowance for bad and doubtful debts	40,602	-	-	-	-	-	-	-	40,602
Allowance for bad and doubtful debts written back	(26,222)	-	-	-	-	-	-	-	(26,222)
Accretion of discount less amortisation of premium	(17,293)	-	-	-	-	-	-	-	(17,293)
Bad debts written off	106	-	-	-	-	-	-	-	106
BalDS expenses	-	-	-	-	-	-	166	-	166
Depreciation and amortisation	11,719	164	379	243	10	2,368	1	163	15,047
Gain on revaluation of investment property	-	-	-	-	(47,704)	-	-	-	(47,704)
Impairment loss on securities HFT	1,000	-	-	-	-	-	798	-	1,798
Impairment loss on securities AFS	22,000	-	-	-	-	-	-	-	22,000
Impairment loss on associated company	-	-	-	19,440	-	-	-	-	19,440
Net gain on disposal of property and equipment	(100)	-	-	-	-	(9)	-	-	(109)
Equipment written off	143	-	-	1	-	-	-	-	144
Provision for interest cost on legal suit	1,116	-	-	-	-	-	-	-	1,116
Reversal of provision for legal compensation and interest costs	(59,219)	-	-	-	-	-	-	-	(59,219)
Unrealised loss on revaluation of derivative financial instrument	(533)	-	-	-	-	-	-	-	(533)
Unrealised loss/(gain) on revaluation of HFT	2,158	-	(208)	(175)	-	-	10,213	-	11,988
Unrealised (gain)/loss on foreign exchange	(4,617)	-	-	(1,122)	-	-	(850)	-	(6,589)
	(29,710)	164	171	18,387	(47,694)	2,359	11,591	163	(44,569)

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43. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

In presenting information by geographical locations, segment revenue is based on geographical locations of operations. Segment assets are based on the geographical location of assets.

	Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009						
Revenue	571,613	177,595	44,763	20,362	6,035	820,368
Profit/(loss) before tax	142,973	50,890	38	(1,097)	(1,782)	191,022
Capital expenditure	5,412	976	1,401	3,676	5,608	17,073
Total segment assets	6,814,456	2,386,608	291,460	231,029	150,373	9,873,926
2008						
Revenue	632,977	132,261	40,593	5,869	465	812,165
Profit/(loss) before tax	152,860	28,838	(11,631)	(334)	(1,547)	168,186
Capital expenditure	21,652	813	734	515	3,634	27,348
Total segment assets	5,047,706	641,989	248,005	125,040	48,496	6,111,236

44. SIGNIFICANT EVENTS

Significant events during the year comprised status of corporate proposals announced but not completed as at balance sheet date are shown below:

(a) Members' Voluntary Winding Up of Beneficial Services Berhad ("BSB")

On 23 January 2009, BSB, a wholly-owned subsidiary company of the Group, has initiated a Members' Voluntary Winding Up pursuant to Section 254(1)(b) of Companies Act, 1965 and that Mr. Chin Kim Chung and Mr. Roy Thean Chong of Russell Bedford Malaysia Business Advisory Sdn. Bhd. of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed as the Joint and Several Liquidators of BSB.

BSB was incorporated on 30 March 2004 with an issued share capital of RM1.0 million comprising of 100,000 ordinary shares of RM10.00 each and partly paid up to RM5.00 each.

Following the completion of transfer and merger of BSB's business as trustee agent, executor and administrator under the Trust Companies Act, 1949 effected pursuant to the Business Merger Agreement dated 16 January 2008 signed with OSK Trustee Berhad, BSB is no longer carrying on the said business.

On 8 June 2009, the Liquidators of BSB made a first interim return of surplus of assets of RM400,000 to the shareholders of BSB, representing RM4.00 per ordinary share of RM10 each.

The above exercise is expected to be completed in the 3rd quarter of year 2010.

44. SIGNIFICANT EVENTS (CONT'D)

- (b) Members' Voluntary Winding Up of KPEN Sdn. Bhd. ("KPEN") and K.E. Malaysian Capital Partners Sdn. Bhd. ("KEMCP")

On 25 September 2009, KPEN and KEMCP, the wholly-owned subsidiary companies of KE-ZAN Holdings Berhad, which in turn is a wholly-owned subsidiary of the Company, has commenced Members' Voluntary Winding-Up pursuant to Section 254(1)(b) of the Companies Act, 1965 ("the Act") and that Mr. Chin Kim Chung and Mr. Yap Yue Loong of Russell Bedford Malaysia Business Advisory Sdn Bhd of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed to act as Joint and Several Liquidators pursuant to Section 258(1) of the Act.

The winding-up of KPEN and KEMCP were initiated as the companies had ceased business operations in year 2001 and had since remained dormant. As KPEN and KEMCP have no intention to carry on business activities in the future, the winding-up exercise would help to save cost and time in monitoring and maintaining the said companies on a regular basis. The winding-up of KPEN and KEMCP are not expected to have any material financial and operational impact to the Group and will not have any material effect on the earnings and net assets of the Group.

KPEN was incorporated on 14 September 1982 with an issued share capital of RM100.75 million comprising of 100.75 million ordinary shares of RM1.00 each and the principal activities were stockbroking and related activities but it had been dormant since it surrendered its stockbroking licence on 28 May 2001. KEMCP was incorporated on 29 July 1999 with an issued share capital of RM1,200,000 divided into 500,000 ordinary shares of RM1.00 each and 700,000 5% convertible cumulative preference shares of RM1.00 each and the principal activities were provision of investment advisory services but it is presently dormant. The above exercise is expected to be completed in the third quarter of year 2010.

- (c) Proposed Bonus Issue by the Company

On 1 December 2009, the Company proposes to implement a bonus issue of up to 190,482,373 Bonus Shares on the basis of one (1) Bonus Share for every four (4) existing OSKH Shares held at the entitlement date on 25 January 2010 ("Proposed Bonus Issue").

The Proposed Bonus Issue is to reward the shareholders of the Company for their continuous support. This will increase the share capital base of the Company to a level which is more reflective of its existing operations and assets employed; enlarge the number of the Company's shares held by the Company's existing shareholders, albeit without increasing the percentage of equity interest; and improve the liquidity and marketability of the Company's shares on Bursa Securities.

On 17 December 2009, Bursa Securities has approved the Proposed Bonus Issue. On 6 January 2010, the Proposed Bonus Issue has been duly passed by the shareholders of the Company at an extraordinary general meeting ("EGM").

- (d) Proposed Transfer of 20% equity interest each in OSK Trustees Berhad ("OSKT") by TCL Nominees (Tempatan) Sdn. Bhd. ("TCLNT") and KE-ZAN Nominees (Tempatan) Sdn. Bhd. (KZNT") to OSK Nominees (Asing) Sdn. Bhd. ("OSKNA") and OSK Futures And Options Sdn. Bhd. ("OSKFO") respectively

On 11 December 2009, TCLNT and KZNT both wholly-owned subsidiaries of OSKIB, which in turn are wholly-owned subsidiary companies of the Company, had entered into a Sale and Purchase Agreement for the transfer of equity interest in OSKT, comprising a total of 360,000 ordinary shares of RM10.00 each and partly paid-up to RM5.00 each in OSKT ("Sale Shares") representing 40% of equity interest in OSKT, for a total cash consideration of RM1,672,000 ("Proposed Transfer").

The Proposed Transfer is to facilitate the merger of the nominee businesses within OSKIB and to streamline its nominee business and operational activities. The Proposed Transfer will not change the controlling interest of the Group in OSKT and will not have any material effect on the earnings, net assets of the Group and share capital of the Company. The above exercise completed on 20 January 2010 as described in Note 45 (a).

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45. MATERIAL SUBSEQUENT EVENTS

- (a) Proposed Transfer of 20% equity interest each in OSK Trustees Berhad ("OSKT") by TCL Nominees (Tempatan) Sdn. Bhd. and KE-ZAN Nominees (Tempatan) Sdn. Bhd. to OSK Nominees (Asing) Sdn. Bhd. ("OSKNA") and OSK Futures And Options Sdn. Bhd. ("OSKFO") respectively

The Proposed Transfer has been completed on 20 January 2010. With the completion of the Proposed Transfer, the shareholding in OSKT will be equally held by the following companies within the OSK Group:-

- (i) the Company;
- (ii) OSKIB;
- (iii) OSK Nominees (Tempatan) Sdn. Berhad;
- (iv) OSK Nominees (Asing) Sdn. Berhad; and
- (v) OSK Futures And Options Sdn. Bhd.

- (b) Proposed Bonus Issue by the Company

On 25 January 2010, the Company completed the Proposed Bonus Issue by issuing additional 164,667,526 ordinary shares of RM1.00 each as Bonus Shares and listed and quoted on 26 January 2010. Consequential to the Bonus Issued, and additional 24,150,922 Warrant B 2000/2010 was issued and quoted on 26 January 2010.

Pursuant to Condition 2 of the Second Schedule and Clause 2(b)(ii) of the Memorandum to the Deed Poll dated 6 January 2000 as amended by the supplemental deed poll dated 30 November 2004 ("Deed Poll") constituting the Warrant B 2000/2010, that the subscription price of the Warrant B 2000/2010 revised downwards from RM1.25 to RM1.00 and an additional 24,150,922 Warrant B 2000/2010 issued pursuant to the adjustment of the subscription price.

The adjustment to the subscription price of the Warrant B 2000/2010 took effect from 9.00 a.m. on 26 January 2010, being the next market day following the entitlement date for the Bonus Issue on 25 January 2010, in accordance with Condition 2 of the Second Schedule and Clause 2(b)(ii) of the Memorandum to the Deed Poll. The adjustment was made in accordance with the provisions of the Deed Poll in order to ensure that the status of the holders of the Warrant B 2000/2010 will not be prejudiced after the implementation of the Bonus Issue.

- (c) Members' Voluntary Winding Up of OSK Wealth Planners Sdn. Bhd. ("OSKWP")

On 29 January 2010, OSKWP commenced Members' Voluntary Winding Up pursuant to Section 254(1)(b) of Companies Act, 1965 and that Mr. Chin Kim Chung and Mr. Roy Thean Chong of Russell Bedford Malaysia Business Advisory Sdn. Bhd. of 10th Floor, Bangunan Yee Seng, 15, Jalan Raja Chulan, 50200 Kuala Lumpur have been appointed as the Joint and Several Liquidators of OSKWP. OSKWP is a wholly-owned subsidiary of OSK-UOB Unit Trust Management Berhad which in turn is a 70%-owned subsidiary of OSK Investment Bank Berhad, which in turn is a wholly-owned subsidiary of the Company.

The winding-up of OSKWP was initiated as the company ceased its operations in financial planning upon the expiry of its Capital Markets Services Licence on 26 August 2009. OSKWP was incorporated on 22 April 2004 with an issued share capital of RM2.15 million comprising of 2.15 million ordinary shares of RM1.00 each.

The above exercise is expected to be completed in the fourth quarter of year 2010.

- (d) Incorporation of OSK Indochina Securities Limited ("OSKISL")

On 17 February 2010, OSK Indochina Bank Limited ("OSKIBL"), a wholly-owned subsidiary company of OSK Investment Bank Berhad, which in turn is a wholly-owned subsidiary of the Company, has incorporated a new wholly-owned subsidiary company, OSKISL, to undertake stockbroking, corporate finance, underwriting, placement and other related activities in Cambodia. OSKISL was incorporated with an issued and paid-up share capital of USD10,000,000 divided into 10,000,000 ordinary shares of USD1.00 each.

46. 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.

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. Bhd. ("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 have also filed an application 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. The Court has on 13 March 2008 struck out with costs the Plaintiffs' Writ of Summons and Statement of Claim. The Chargor has since filed a Notice of Appeal against the said decision. On 5 May 2009, the High Court has dismissed the Plaintiffs' appeal. On 4 June 2009, the Plaintiffs have filed an appeal to the Court of Appeal against the High Court's decision. A hearing date is still pending.

47. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary and associated companies of the Group that have the same financial year end as the Company at year end are as follows:

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(a) Subsidiary companies of the Company:				
OSK Investment Bank Berhad ("OSKIB") (a Participating Organisation of Bursa Securities and an Investment Bank)	Malaysia	Stock broking and investment banking activities	100	100
* OSK Investment Bank (Labuan) Limited	Federal Territory of Labuan, Malaysia	Offshore investment banking activities	100	100
KE-ZAN Holdings Berhad	Malaysia	Investment holding and letting of commercial properties	100	100
OSK Capital Sdn. Bhd.	Malaysia	Capital financing business	100	100
OSK International Asset Management Sdn. Bhd.	Malaysia	Fund management	- Note 48(e)	100

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47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(a) Subsidiary companies of the Company (Cont'd):				
OSK REIT Management Sdn. Bhd.	Malaysia	Management company for real estate investment trusts	100	100
OSK Realty Sdn. Bhd.	Malaysia	Property investment	100	100
OSK Ventures Sdn. Bhd.	Malaysia	Provision of venture capital business	100	100
OSK Ventures International Berhad	Malaysia	Investment holding	- Note 48(f)	67.21
(b) Subsidiary companies of OSKIB:				
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100
KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100
OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for local beneficial shareholders	100	100

47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(b) Subsidiary companies of OSKIB (Cont'd):				
TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominee agents, trustees and related activities for foreign beneficial shareholders	100	100
OSK Research Sdn. Bhd.	Malaysia	Investment research services	100	100
OSK International Asset Management Sdn. Bhd.	Malaysia	Fund management	100 Note 48(e)	-
OSK Futures And Options Sdn. Bhd.	Malaysia	Dormant	100	100
OSK Indochina Bank Limited	Cambodia	Commercial bank	100	100
* OSK International Investments Pte. Ltd.	Singapore	Investment holding	100	100
* OSK Holdings Hong Kong Limited	Hong Kong	Investment holding	91.01	91.01
OSK-UOB Unit Trust Management Berhad	Malaysia	Management of unit trust funds	70	70
* DMG & Partners Securities Pte. Ltd.	Singapore	Provision of stock and share broking services	51	51
* PT OSK Nusadana Securities Indonesia	Indonesia	Provision of stock and share broking services	51	51
(c) Subsidiary company of OSK International Investment Pte Ltd:				
* OSK International Asset Management Pte. Ltd.	Singapore	Fund management	100	100

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47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(d) Subsidiary companies of OSK Holdings Hong Kong Limited :				
* OSK Capital Hong Kong Limited	Hong Kong	Provision of corporate finance advisory services	100	100
* OSK Finance Hong Kong Limited	Hong Kong	Money lending	100	100
* OSK Futures Hong Kong Limited	Hong Kong	Dealing in futures and options contracts	100	100
* OSK Securities Hong Kong Limited	Hong Kong	Securities dealing and provision of securities	100	100
* OSK Precious Metals Hong Kong Limited	Hong Kong	Trading of precious metal	100	100
* OSK International Investments Hong Kong Limited	Hong Kong	Provision of asset management services	100	100
* OSK (China) Investment Advisory Company Ltd	Shanghai, China	Provision of investment and business advisory and related services	100	100
+* OSK Wealth Management Hong Kong Limited	Hong Kong	Provision of wealth management services	100	100
(e) Subsidiary company of OSK Securities Hong Kong Limited:				
+* OSK Nominees Hong Kong Limited	Hong Kong	To act as attorneys, nominees, agents, trustees and engage in the related activities for beneficial shareholders	100	100
(f) Subsidiary companies of OSK-UOB Unit Trust Management Berhad:				
OSK Wealth Planners Sdn. Bhd. (In Members Voluntary Winding-up)	Malaysia	Provision of financial planning and related services	100 Note 45 (c)	100
OSK-UOB Islamic Fund Management Berhad	Malaysia	Offer Islamic fund services	70 Note 48 (g)	-

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47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(g) Subsidiary companies of DMG & Partners Securities Pte Ltd:				
* DMG & Partners Nominees Pte. Ltd.	Singapore	Nominee services	100	100
* Summit Nominees Pte. Ltd.	Singapore	Nominee services	100	100
* DMG & Partners Research Pte. Ltd.	Singapore	Financial advisory services	100	100
(h) Subsidiary company of PT OSK Nusadana Securities Indonesia:				
* PT Nusadana Aset Manajemen	Indonesia	Investment manager	99.23	98
(i) Subsidiary companies of KE-ZAN Holdings Berhad:				
KPEN Sdn. Bhd. (In Members' Voluntary Liquidation)	Malaysia	Ceased operations	100 Note 44 (b)	100
K.E. Malaysian Capital Partners Sdn. Bhd. (In Members' Voluntary Liquidation)	Malaysia	Ceased operations	100 Note 44 (b)	100
(j) Subsidiary companies of OSK Ventures International Berhad ("OSKVI"):				
OSK Venture Equities Sdn. Bhd.	Malaysia	To undertake venture capital business and management of investments in securities of venture companies	- Note 48 (f)	100
OSK Technology Ventures Sdn. Bhd.	Malaysia	To undertake venture capital business	- Note 48 (f)	100
OSK Private Equity Management Sdn. Bhd.	Malaysia	To undertake the management of investments in securities of venture companies	- Note 48 (f)	100
OSK Capital Partners Sdn. Bhd.	Malaysia	To undertake investment holding and private equity business	- Note 48 (f)	100

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47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(j) Subsidiary companies of OSK Ventures International Berhad ("OSKVI") (Cont'd):				
OSK Ventures International Limited	Hong Kong	To undertake investment holding and private equity business	- Note 48 (f)	100
* OSK Infrastructure Investments Limited	Hong Kong	Investment holding and private equity business	- Note 48 (f)	100
(k) Subsidiary company of OSK Ventures Equities Sdn. Bhd.:				
Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	- Note 48 (f)	59.95
(l) Subsidiary companies of the Group:				
OSK Trustees Berhad	Malaysia	Professional wills and trustee services	100	100
The shareholdings in OSK Trustees Berhad are held by:-				
(i) The Company			20	20
(ii) OSKIB			20	20
(iii) OSK Nominees (Tempatan) Sdn. Berhad			20	20
(iv) TCL Nominees (Tempatan) Sdn. Bhd.			20	20
(v) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			20	20
			<u>100</u>	<u>100</u>
Beneficial Services Berhad. (In Members Voluntary Winding-up)	Malaysia	Ceased operations	100	100
The shareholdings in Beneficial Services Berhad are held by:-				
(i) The Company			20	20
(ii) OSKIB			20	20
(iii) OSK Nominees (Tempatan) Sdn. Berhad			20	20
(iv) TCL Nominees (Tempatan) Sdn. Bhd.			20	20
(v) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			20	20
			<u>100</u>	<u>100</u>
(m) Associated company of the Company:				
UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	- Note 48(a)	30

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47. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of Subsidiaries/ Associates	Country of Incorporation	Principal Activities	Proportion of Ownership Interest	
			2009 %	2008 %
(n) Associated companies of OSKIB and of the Group:				
* iFast-OSK Sdn. Bhd.	Malaysia	Investment holding	49	49
UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	- Note 48(a)	-
Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	40.05	80.34
The effective interest in Finexasia.com Sdn. Bhd. held by the Group:				
(i) OSKVI via OSK Venture Equities Sdn. Bhd.			- Note 48 (f)	40.29
(ii) OSKIB			40.05	40.05
			<u>40.05</u>	<u>80.34</u>
* Green Packet Berhad	Malaysia	Wireless networking and telecommunication products, networking solutions and other high technology products and services	- Note 48 (f)	16.23
* MNC Wireless Berhad	Malaysia	Sales and marketing, research and development of wireless, mobile and multimedia solutions and content and investment holding	- Note 48 (f)	20.06
* eBworx Berhad	Malaysia	Provision of computer software applications and dealing in computer software and hardware for financial services industry	- Note 48 (f)	20.01
mTouche Technology Berhad	Malaysia	Provision of innovative digital commerce solutions to the financial services industry	- Note 48 (f)	27.45
* GMO Limited	Jersey, Channel Island	Investment holdings	- Note 48 (f)	18.96
* Audited by firms of Public or Chartered Accountants other than Messrs. Ernst & Young.				
+ These subsidiary companies have not commenced operations as at 31 December 2009.				

The proportion of voting power held is equal to proportion of ownership interest.

48. CHANGES IN COMPOSITION OF THE GROUP

(a) Transfer of 30% equity interest in UOB-OSK Asset Management Sdn. Bhd. ("UOAM")

On 2 March 2009, the Company completed the transfer of 30% equity interest in UOAM to OSKIB a wholly-owned subsidiary company, comprising 1,200,000 ordinary shares of RM1.00 each for a cash consideration of RM7,777,105 based on the net tangible assets of UOAM as at 28 February 2009. UOAM is now an associated company of OSKIB and an indirect associated company of the Company.

With this transfer, the Group is able to streamline its fund management company under OSKIB Group to achieve management and operational synergies as well as to facilitate efficient deployment of the resources.

(b) Subscription of additional shares in iFast-OSK Sdn Bhd. ("iFast-OSK")

On 30 March 2009, OSKIB subscribed for 1,470,000 ordinary shares of RM1.00 each in iFast-OSK for a cash consideration of RM1,470,000. The equity stake of OSKIB in iFast-OSK remained at 49%.

(c) Increase in share capital of OSK Indochina Bank Limited ("OSKIBL")

On 20 April 2009, Bank Negara Malaysia approved the proposal by the Company and OSKIB to inject additional capital of KHR100 billion (RM88 million or USD24.50 million) into OSKIBL, a wholly-owned commercial banking subsidiary company of OSKIB in Cambodia pursuant to the revised minimum capital requirement of at least KHR150 billion (RM132 million or USD37.50 million) by 2010 as stipulated by the National Bank of Cambodia and to support branch expansion exercise. The increase of share capital of OSKIBL is carried out in two tranches.

On 19 May 2009, the National Bank of Cambodia approved the application made by OSKIBL for the increase of its share capital from USD13 million to USD25.25 million. The increase of USD12.25 million (RM42.875 million equivalent) represented the first tranche which was remitted to OSKIBL on 27 May 2009. The second tranche of USD12.25 million will be remitted by the end of 2010.

(d) Disposal of an associated company, MNC Wireless Berhad ("MNC") by OSK Ventures International Berhad ("OSKVI") group

On 5 June 2009, OSKVI via its wholly-owned subsidiary company, OSK Technology Ventures Sdn Bhd, disposed its entire 20.06% equity interest in MNC.

(e) Transfer of 100% equity interest in OSK International Asset Management Sdn. Bhd. (formerly known as OSK Asset Management Sdn. Bhd.) ("OSKIAM")

On 31 July 2009, the Company completed the transfer its 100% equity interest in OSKIAM to OSKIB, a wholly-owned subsidiary company, comprising 4,500,000 ordinary shares of RM1.00 each for a cash consideration of RM2,241,063 based on the net tangible assets of OSKIAM as at 30 June 2009. OSKIAM is now a wholly-owned subsidiary company of OSKIB and an indirect subsidiary company of the Company.

The transfer of OSKIAM will allow the consolidation and streamlining of financial business activities within the Group under the OSKIB flagship and also allow the OSKIB Group to expand and complement its spectrum of financial services and products.

(f) Distribution of 98,326,119 ordinary shares of RM1.00 each in OSK Ventures International Berhad ("OSKVI") to shareholders of the Company ("the Shares Distribution")

On 28 August 2009, the Company completed the Shares Distribution after receiving the necessary approvals from the relevant regulatory authorities and shareholders of the Company. The Company undertook the Shares Distribution through a reduction of its capital redemption reserve account of RM58,919,600 pursuant to Section 64 of the Companies Act, 1965 and retained profits of RM58,897,761 of the Company. Effectively from that date, OSKVI ceased to be a subsidiary company of the Company.

The Shares Distribution is in line with the Company's intention to streamline its business activities and asset base by focusing on the core business activities in the provision of investment banking, treasury, stockbroking, fund management and other related financial services.

48. CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

- (g) Subscription of 70% equity interest in OSK-UOB Islamic Fund Management Berhad ("OUIFM") by OSK-UOB Unit Trust Management Berhad ("OUTM")

On 18 November 2009, OUTM, a 70%-owned subsidiary of OSKIB, which in turn is wholly-owned by the Company subscribed for 7 ordinary shares of RM1.00 each, representing 70% of the issued and paid-up capital of OUIFM which was incorporated on 17 November 2009 for a total cash consideration of RM7.00.

OUIFM has an authorised share capital of RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each and an initial issued and paid-up capital of RM10.00 comprising 10 ordinary shares of RM1.00 each. The principle activity of OUIFM is to offer Islamic funds services.

- (h) Subscription of additional shares in OSK Nominees (Tempatan) Sdn. Berhad ("OSKNT") and OSK Nominees (Asing) Sdn. Berhad ("OSKNA")

On 28 December 2009, the issued and paid up share capital of OSKNT has increased from 565,005 to 1,500,000 of RM1.00 each; and the issued and paid up share capital of OSKNA has increased from 2 to 500,000 of RM1.00 each via subscriptions of additional shares of 934,955 and 499,998 new ordinary shares of RM1.00 each in OSKNT and OSKNA, respectively. The equity stake of OSKIB in OSKNT and OSKNA remained at 100%.

The rationale of increasing the issued and paid share is to facilitate the merger of the nominees business within OSKIB and to streamline its nominee business and operational activities.

49. BASKET CALL WARRANTS ISSUED BY A SUBSIDIARY BANK

On 30 November 2005, OSKIB, a wholly-owned subsidiary of the Company, 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 Market 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 had 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 OSKIB for management charges, and without interest.

Prior to 4 October 2006, the mode of exercise of the Basket CW was European style whereby it could be exercised by the holders only on the expiry date on 27 November 2009. On 4 October 2006, OSKIB 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. It has been expired on 29 November 2009.

The Basket CW are to be cash settled once the rights conferred are 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 the 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 of the Group for accounting purposes as substantially the risks and rewards incidental to ownership of the Underlying Securities have been transferred to the Basket CW holders.

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL INSTRUMENTS

(a) Credit risk

The Group and the Company 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 sheets.

(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 risk associated to daily running operational activities.

Such risks are mitigated through proper authority 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 of Directors recognises that effective risk management is an integral part of good business practice. The Board of Directors 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 of Directors 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 the financial statements.

(d) Fair values

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

	Note	2009		2008	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Group		RM	RM	RM	RM
Financial assets					
Transferable golf club memberships	11	228,200	1,247,000	228,200	1,247,000
Financial liabilities					
Amounts due to an associated company	24(d)	3,574,572	#	5,894,663	#

50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

Company	Note	2009		2008	
		Carrying Amounts RM	Fair Values RM	Carrying Amounts RM	Fair Values RM
Financial assets					
Amounts due from subsidiary companies	11(c)	12,353,348	#	30,626,605	#
Financial liabilities					
Amounts due to subsidiary companies	24(c)	74,961,534	#	52,694,603	#

It is not practical to estimate the fair values of amount due to/from subsidiary/associated companies 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 Company 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 not recognised in the balance sheet of the Group and the Company at the end of the year are as disclosed in Note 42. It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing and eventual outcome.

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

(i) Transferable golf club memberships

The fair value of the transferable club memberships is based on the current market price of the relevant golf club memberships.

(ii) Long-term borrowings and subordinated notes.

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.

(iii) Trade and other receivables/payables, cash and cash equivalents and short term borrowings.

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

Other than as disclosed in Notes 50 and 51, the Group and the Company did not enter into any contract involving financial instruments with off balance sheet risk as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest/profit rate risk

The Group and the Company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Non-trading book								Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 31 December 2009									
ASSETS									
Cash and short term funds	1,233,294	102,825	9,336	-	-	265,734	-	1,611,189	1.75
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	-	50,000	6.37
Securities held-for-trading	-	-	-	-	-	-	203,665	203,665	-
Securities held-to-maturity	312,411	155,000	35,172	344,718	176,795	-	-	1,024,096	4.04
Securities available-for-sale	588,387	297,547	404,559	1,306,761	121,915	12,132	-	2,731,301	4.31
Derivative financial assets	-	-	-	-	-	37,122	-	37,122	-
Loans, advances and financing									
Performing	546,047	27,547	312,070	24,479	6,275	-	-	916,418	8.68
Non-performing	-	-	-	-	-	16,239	-	16,239	-
Statutory and reserve deposits with Central Banks	-	-	-	-	9,570	38,103	-	47,673	0.44
Other assets	30,822	-	100	-	-	2,689,217	-	2,720,139	0.99
Other non-interest sensitive assets	-	-	-	-	-	529,275	-	529,275	-
Total Assets	2,710,961	632,919	761,237	1,675,958	314,555	3,587,822	203,665	9,887,117	
LIABILITIES									
Deposits from customers	2,725,022	933,980	616,993	73,179	-	6,523	-	4,355,697	2.36
Deposits and placements of banks and other financial institutions	62,850	22,482	67,009	20,000	-	1,881	-	174,222	5.43
Derivative financial liabilities	-	-	-	-	-	51,861	-	51,861	-
Borrowings	187,532	12,500	12,500	4,434	-	-	-	216,966	3.39
Subordinated notes	-	-	-	-	100,000	-	-	100,000	7.50
Other non-interest sensitive liabilities	-	-	-	-	-	3,476,684	-	3,476,684	-
Total Liabilities	2,975,404	968,962	696,502	97,613	100,000	3,536,949	-	8,375,430	
Shareholders' funds	-	-	-	-	-	1,287,141	-	1,287,141	
Minority interests	-	-	-	-	-	224,546	-	224,546	
Total Equity	-	-	-	-	-	1,511,687	-	1,511,687	
Total Liabilities and Equity	2,975,404	968,962	696,502	97,613	100,000	5,048,636	-	9,887,117	
On-balance sheet interest sensitivity gap	(264,443)	(336,043)	64,735	1,578,345	214,555	(1,460,814)	203,665	-	
Off-balance sheet interest sensitivity gap	-	-	188,304	325,787	-	-	-	514,091	
Total Interest Sensitivity Gap	(264,443)	(336,043)	253,039	1,904,132	214,555	(1,460,814)	203,665	514,091	
Cumulative interest rate sensitivity gap	(264,443)	(600,486)	(347,447)	1,556,685	1,771,240	310,426	514,091	514,091	

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50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest/profit rate risk (Cont'd)

Group (Cont'd)	Non-trading book								Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 31 December 2008									%
ASSETS									
Cash and short term funds	1,380,547	27,092	-	-	-	126,725	-	1,534,364	3.44
Deposits and placements with banks and other financial institutions	-	76,047	-	-	-	-	-	76,047	3.99
Securities held-for-trading	-	-	-	5,122	24,612	1,096	16,040	46,870	5.40
Securities held-to-maturity	18,374	61,233	139,173	183,927	211,662	12,310	-	626,679	5.34
Securities available-for-sale	107,724	186,469	234,045	659,542	102,142	6,496	-	1,296,418	4.60
Derivative financial assets	-	-	-	-	-	2,326	-	2,326	-
Loans, advances and financing									
Performing	630,364	83,739	224,111	2,676	-	-	-	940,890	8.69
Non-performing	-	-	-	-	-	18,135	-	18,135	-
Statutory and reserve deposits with Central Banks	-	-	-	-	4,768	76,066	-	80,834	1.19
Other assets	64,330	-	100	-	-	712,953	-	777,383	2.46
Other non-interest sensitive assets	-	-	-	-	-	738,729	-	738,729	-
Total Assets	2,201,339	434,580	597,429	851,267	343,184	1,694,836	16,040	6,138,675	
LIABILITIES									
Deposits from customers	1,205,991	262,450	782,411	119,056	391	334	-	2,370,633	3.36
Deposits and placements of banks and other financial institutions	83,215	211,100	123,887	29,387	-	326	-	447,915	3.84
Obligations on securities sold under repurchase agreements	249	-	-	-	-	-	-	249	3.00
Derivative financial liabilities	-	-	-	-	-	5,783	-	5,783	-
Borrowings	160,908	-	17,231	29,434	-	-	-	207,573	5.16
Subordinated notes	-	-	-	-	100,000	-	-	100,000	7.50
Other non-interest sensitive liabilities	-	-	-	-	-	1,327,138	-	1,327,138	-
Total Liabilities	1,450,363	473,550	923,529	177,877	100,391	1,333,581	-	4,459,291	
Shareholders' funds	-	-	-	-	-	1,380,401	-	1,380,401	
Minority interests	-	-	-	-	-	298,983	-	298,983	
Total Equity	-	-	-	-	-	1,679,384	-	1,679,384	
Total Liabilities and Equity	1,450,363	473,550	923,529	177,877	100,391	3,012,965	-	6,138,675	
On-balance sheet interest sensitivity gap	750,976	(38,970)	(326,100)	673,390	242,793	(1,318,129)	16,040	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	160,000	-	-	160,000	
Total Interest Sensitivity Gap	750,976	(38,970)	(326,100)	673,390	402,793	(1,318,129)	16,040	160,000	
Cumulative interest rate sensitivity gap	750,976	712,006	385,906	1,059,296	1,462,089	143,960	160,000	160,000	

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50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest/profit rate risk (Cont'd)

Company	Non-trading book								Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
As at 31 December 2009									%
ASSETS									
Cash and short term funds	3,012	-	-	-	-	2,836	-	5,848	1.92
Securities held-for-trading	-	-	-	-	-	-	25,596	25,596	-
Other non-interest sensitive assets	-	-	-	-	-	954,947	-	954,947	-
Total Assets	3,012	-	-	-	-	957,783	25,596	986,391	
LIABILITIES									
Other liabilities	74,951	-	-	-	-	341	-	75,292	3.91
Borrowings	-	12,500	12,500	4,435	-	-	-	29,435	3.95
Other non-interest sensitive liabilities	-	-	-	-	-	766	-	766	-
Total Liabilities	74,951	12,500	12,500	4,435	-	1,107	-	105,493	
EQUITY									
Shareholders' funds	-	-	-	-	-	880,898	-	880,898	
Total Equity	-	-	-	-	-	880,898	-	880,898	
Total Liabilities and Equity	74,951	12,500	12,500	4,435	-	882,005	-	986,391	
On-balance sheet interest sensitivity gap	(71,939)	(12,500)	(12,500)	(4,435)	-	75,778	25,596	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	(71,939)	(12,500)	(12,500)	(4,435)	-	75,778	25,596	-	
As at 31 December 2008									
ASSETS									
Cash and short term funds	12,642	-	-	-	-	32	-	12,674	3.18
Securities held-for-trading	-	-	-	-	-	-	5,034	5,034	-
Other assets	9,651	-	-	-	-	21,032	-	30,683	5.35
Other non-interest sensitive assets	-	-	-	-	-	1,059,486	-	1,059,486	-
Total Assets	22,293	-	-	-	-	1,080,550	5,034	1,107,877	
LIABILITIES									
Other liabilities	52,684	-	-	-	-	360	-	53,044	5.05
Borrowings	-	4,731	12,500	29,435	-	-	-	46,666	5.42
Total Liabilities	52,684	4,731	12,500	29,435	-	360	-	99,710	
EQUITY									
Shareholders' funds	-	-	-	-	-	1,008,167	-	1,008,167	
Total Equity	-	-	-	-	-	1,008,167	-	1,008,167	
Total Liabilities and Equity	52,684	4,731	12,500	29,435	-	1,008,527	-	1,107,877	
On-balance sheet interest sensitivity gap	(30,391)	(4,731)	(12,500)	(29,435)	-	72,023	5,034	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	(30,391)	(4,731)	(12,500)	(29,435)	-	72,023	5,034	-	

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk

Foreign exchange risk is the risk of changes to earnings and value of foreign currency assets, liabilities and derivative financial instruments caused by fluctuations in foreign exchange rates. The banking activities of providing financial products and services to customers expose the Group and the Company to foreign exchange risk. Foreign exchange risk is managed by the treasury function. The Group's policy is to ensure, where appropriate and practical, that its capital is protected from foreign currency exposures.

The table below analyses the net foreign exchange positions of the Group and the Company by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, Hong Kong Dollar, United States Dollar and Indonesian Rupiah.

Group	Malaysian Ringgit	Singapore Dollar	Hong Kong Dollar	United States Dollar	Indonesian Rupiah	Others	Total
As at 31 December 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Cash and short term funds	1,032,709	170,683	194,233	104,708	103,288	5,568	1,611,189
Deposit and placements with banks and other financial institutions	50,000	-	-	-	-	-	50,000
Securities held-for-trading	75,468	-	6,670	117,028	4,499	-	203,665
Securities available-for-sale	2,294,437	3,253	-	347,069	86,542	-	2,731,301
Securities held-to-maturity	1,024,096	-	-	-	-	-	1,024,096
Derivative financial assets	33,060	-	1,246	2,816	-	-	37,122
Loans, advances and financing	666,644	147,465	47,802	54,488	16,258	-	932,657
Tax recoverable	8,188	-	-	-	1,601	-	9,789
Other assets	555,125	1,998,142	30,957	45,319	86,782	3,814	2,720,139
Statutory and reserve deposits with Central Banks	36,256	-	-	11,404	-	13	47,673
Deferred tax assets	2,342	-	-	-	1,060	-	3,402
Investments in associated companies	20,369	-	-	-	-	-	20,369
Investment property	112,600	-	-	-	-	-	112,600
Prepaid land lease payments	11,903	-	-	-	-	-	11,903
Property and equipment	144,227	2,033	4,499	-	4,212	6,388	161,359
Intangible assets	205,877	322	1,850	-	-	1,804	209,853
Total Assets	6,273,301	2,321,898	287,257	682,832	304,242	17,587	9,887,117
Liabilities							
Deposits from customers	4,300,647	399	-	54,508	-	143	4,355,697
Deposits and placements of banks and other financial institutions	154,859	-	-	19,363	-	-	174,222
Derivative financial liabilities	49,703	-	-	-	1,854	304	51,861
Other liabilities	1,098,471	2,047,717	187,607	14,419	95,218	2,031	3,445,463
Tax payable	16,167	12,216	552	-	870	393	30,198
Deferred tax liabilities	782	153	88	-	-	-	1,023
Borrowings	208,134	-	8,832	-	-	-	216,966
Subordinated notes	100,000	-	-	-	-	-	100,000
Total Liabilities	5,928,763	2,060,485	197,079	88,290	97,942	2,871	8,375,430
On-balance sheet open position	344,538	261,413	90,178	594,542	206,300	14,716	1,511,687
Off-balance sheet open position	505,706	20,781	930	(408,029)	(84,960)	(34,428)	-
Net open position	850,244	282,194	91,108	186,513	121,340	(19,712)	1,511,687

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50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group (Cont'd)	Malaysian Ringgit	Singapore Dollar	Hong Kong Dollar	United States Dollar	Indonesian Rupiah	Others	Total
As at 31 December 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short term funds	1,081,678	210,026	129,095	55,141	43,906	14,518	1,534,364
Deposits and placements with banks and other financial institutions	50,000	-	-	26,047	-	-	76,047
Securities held-for-trading	44,243	-	2,325	70	232	-	46,870
Securities available-for-sale	1,262,727	3,210	-	30,438	43	-	1,296,418
Securities held-to-maturity	626,679	-	-	-	-	-	626,679
Derivative financial assets	1,109	-	1,217	-	-	-	2,326
Loans, advances and financing	825,502	91,052	35,608	-	6,863	-	959,025
Tax recoverable	20,975	-	-	-	99	-	21,074
Other assets	365,820	360,591	21,820	8,313	20,405	434	777,383
Statutory and reserve deposits with Central Banks	76,052	-	-	4,782	-	-	80,834
Deferred tax assets	5,127	-	-	-	1,239	-	6,366
Investments in associated companies	211,885	-	-	-	-	-	211,885
Investment property	112,600	-	-	-	-	-	112,600
Prepaid land lease payments	12,042	-	-	-	-	-	12,042
Property and equipment	150,610	3,567	3,964	45	1,273	3,523	162,982
Intangible assets	208,220	318	1,998	-	-	1,244	211,780
Total Assets	5,055,269	668,764	196,027	124,836	74,060	19,719	6,138,675
Liabilities							
Deposits from customers	2,369,469	-	-	-	-	1,164	2,370,633
Deposits and placements of banks and other financial institutions	447,591	-	-	-	-	324	447,915
Obligations on securities sold under repurchase agreements	249	-	-	-	-	-	249
Derivative financial liabilities	5,783	-	-	-	-	-	5,783
Other liabilities	776,768	363,177	110,988	15,055	23,256	27,462	1,316,706
Tax payable	828	8,608	335	-	407	-	10,178
Deferred tax liabilities	-	151	103	-	-	-	254
Borrowings	207,065	508	-	-	-	-	207,573
Subordinated notes	100,000	-	-	-	-	-	100,000
Total Liabilities	3,907,753	372,444	111,426	15,055	23,663	28,950	4,459,291
On-balance sheet open position	1,147,516	296,320	84,601	109,781	50,397	(9,231)	1,679,384
Off-balance sheet open position	(2,142)	24	111	2,007	-	-	-
Net open position	1,145,374	296,344	84,712	111,788	50,397	(9,231)	1,679,384

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Company					
As at 31 December 2009	Malaysian Ringgit	Singapore Dollar	Hong Kong Dollar	United States Dollar	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds	5,848	-	-	-	5,848
Securities held-for-trading	11,267	-	-	14,329	25,596
Tax recoverable	8,170	-	-	-	8,170
Other assets	9,667	774	2,051	-	12,492
Investments in subsidiary companies	934,267	-	-	-	934,267
Equipment	2	-	-	-	2
Intangible assets	16	-	-	-	16
Total Assets	969,237	774	2,051	14,329	986,391
Liabilities					
Other liabilities	75,292	-	-	-	75,292
Deferred tax liabilities	766	-	-	-	766
Borrowings	29,435	-	-	-	29,435
Total Liabilities	105,493	-	-	-	105,493
On-balance sheet open position	863,744	774	2,051	14,329	880,898
Off-balance sheet open position	-	-	-	-	-
Net open position	863,744	774	2,051	14,329	880,898

Company				
As at 31 December 2008	Malaysian Ringgit	Hong Kong Dollar	United States Dollar	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Cash and short term funds	12,674	-	-	12,674
Securities held-for-trading	3,493	-	1,541	5,034
Tax recoverable	6,725	-	-	6,725
Other assets	23,321	7,362	-	30,683
Deferred tax assets	2,467	-	-	2,467
Investments in subsidiary companies	1,049,084	-	-	1,049,084
Investments in associated companies	1,200	-	-	1,200
Equipment	3	-	-	3
Intangible assets	7	-	-	7
Total Assets	1,098,974	7,362	1,541	1,107,877
Liabilities				
Other liabilities	53,044	-	-	53,044
Borrowings	46,666	-	-	46,666
Total Liabilities	99,710	-	-	99,710
On-balance sheet open position	999,264	7,362	1,541	1,008,167
Off-balance sheet open position	-	-	-	-
Net open position	999,264	7,362	1,541	1,008,167

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

51. COMMITMENTS AND CONTINGENCIES

The risk-weighted exposures of the Group are as follows:

	2009			2008		
	Principal amount	Credit equivalent*	Risk weighted amount	Principal amount	Credit equivalent*	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Obligations under underwriting agreements	255,000	127,500	25,500	265,000	132,500	26,500
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,315,744	2,072	2,072	971,852	-	-
- maturity exceeding one year	-	-	-	4	2	2
Foreign exchange related contracts:						
- less than one year	370,640	195,898	39,180	3,667	2,142	428
Interest rate related contracts:						
- one year to less than five years	508,167	16,002	3,200	160,000	9,237	1,847
	2,449,551	341,472	69,952	1,400,523	143,881	28,777

* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's Guidelines.

OSKIB implemented its Basel II weighted assets computation under the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. OSKIB has adopted the Standardised Approach for credit risk and market risk and Basic Indicator Approach for operational risk computation.

52. CAPITAL ADEQUACY

The capital base and risk weighted assets ("RWA"), as set out below are disclosed in accordance with Paragraph 4.4 of Concept Paper - Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia. Paragraph 7.2(i) permits no corresponding disclosures in the previous reporting period upon first time adoption and disclosure of RWCAF and CAFIB.

The Group and Company are not required to maintain any capital adequacy ratio requirements. The capital adequacy ratios of the investment banking subsidiary, OSK Investment Bank Berhad ("OSKIB"), and OSKIB group are as follows:

(a) Risk weighted capital ratios and Tier I and Tier II capital

(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows:

	OSKIB Group		OSKIB [^]	
	2009	2008	2009	2008
Before deducting proposed dividends:				
Core capital ratio	27.85%	-	22.58%	28.22%
Risk weighted capital ratio	30.56%	-	22.58%	28.22%
After deducting proposed dividends:				
Core capital ratio	26.97%	-	21.21%	28.22%
Risk weighted capital ratio	29.68%	-	21.21%	28.22%

[^] In accordance with Section 7.3 of Guidelines on Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia, if deduction from Total Capital (i.e investment in subsidiary companies at OSKIB level) is more than eligible Tier 2 capital, the core capital ratio will be equal to the risk-weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
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52. CAPITAL ADEQUACY (CONT'D)

(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)

(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows (Cont'd):

	OSKIB Group		OSKIB	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Issued and fully paid share capital	630,000	-	630,000	630,000
Retained profits	153,275	-	69,774	27,826
Statutory reserve	206,078	-	206,078	164,129
Tier I minority interests	225,185	-	-	-
	1,214,538	-	905,852	821,955
Less: Goodwill	(99,959)	-	(46,516)	(46,516)
Deferred tax assets	(2,860)	-	(1,041)	(1,635)
Tier I capital	1,111,719	-	858,295	773,804
General allowance for bad and doubtful debts and financing				
- Loan, advances and financing	8,179	-	7,630	2,888
Maximum allowance subordinated debt capital	100,000	-	100,000	100,000
Tier II capital	108,179	-	107,630	102,888
Total capital	1,219,898	-	965,925	876,692
Less: Investments in subsidiary companies	-	-	(381,907)	(335,436)
Capital base	1,219,898	-	584,018	541,256

The capital adequacy ratios of OSKIB Group consist of capital base and RWA derived from consolidated balances of OSKIB and its subsidiary companies. The capital adequacy ratios of OSKIB consist of capital base and RWA derived from OSKIB.

The capital adequacy ratios of OSKIB Group and OSKIB are computed in accordance with RWCAF-Basel II. OSKIB Group and OSKIB have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2008: 8.0%) for the risk weighted capital ratio.

52. CAPITAL ADEQUACY (CONT'D)

(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)

(ii) The capital adequacy ratios and capital base of the wholly owned Cambodia banking subsidiary of OSKIB, OSK Indochina Bank Limited ("OSKIBL"), are as follows:

	OSKIBL	
	2009	2008
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	69.31%	129.63%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	69.31%	129.63%

The Solvency Ratio of OSKIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. These ratios are derived as OSKIBL's net worth divided by its risk-weighted assets and off balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15.0%.

No equivalent ratio in Cambodia.

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52. CAPITAL ADEQUACY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk

2009

OSKIB Group

Exposure class

	Gross Exposures	Net Exposures	Risk-Weights Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
(i) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,843,835	1,843,835	-	-
Banks, development financial institutions and multilateral development banks	2,319,775	2,319,775	583,578	46,686
Insurance companies, securities firms and fund managers	1,769,322	1,769,322	353,864	28,309
Corporates	2,262,477	1,623,528	984,912	78,793
Other assets	119,004	119,004	119,004	9,520
Total on balance sheet exposures	8,314,413	7,675,464	2,041,358	163,308
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	237,338	237,338	52,003	4,160
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	136,103	136,103	34,103	2,728
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	373,441	373,441	86,106	6,888
Total on and off balance sheet exposures	8,687,854	8,048,905	2,127,464	170,196
(ii) Large exposures risk requirement	2,121	2,121	2,121	-
(iii) Market risk	Long Position	Short Position		
Interest rate risk	415,000	160,000	92,990	7,439
Foreign currency risk	687,714	-	687,714	55,017
Equity risk	16,214	-	41,076	3,286
Option risk	255,000	-	28,701	2,296
Total	1,373,928	160,000	850,481	68,038
(iv) Operational risk			1,011,124	80,890
(v) Total RWA and capital requirements			3,991,190	319,124

52. CAPITAL ADEQUACY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)

2009

OSKIB

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,251,902	1,251,902	-	-
Banks, development financial institutions and multilateral development banks	2,317,097	2,317,097	583,042	46,643
Insurance companies, securities firms and fund managers	67,503	67,503	13,501	1,080
Corporates	1,871,402	1,445,120	806,504	64,520
Other assets	69,268	69,268	69,268	5,541
Total on balance sheet exposures	5,577,172	5,150,890	1,472,315	117,784
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	237,338	237,338	52,003	4,160
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	136,103	136,103	34,103	2,728
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	373,441	373,441	86,106	6,888
Total on and off balance sheet exposures	5,950,613	5,524,331	1,558,421	124,672
(ii) Large exposures risk requirement	2,121	2,121	2,121	-
(iii) Market risk	Long Position	Short Position		
Interest rate risk	415,000	160,000	78,737	6,299
Foreign currency risk	290,832	-	290,837	23,267
Equity risk	5,487	-	13,712	1,097
Option risk	255,000	-	28,698	2,296
Total	966,319	160,000	411,984	32,959
(iv) Operational risk			613,762	49,101
(v) Total RWA and capital requirements			2,586,288	206,732

OSKIB Group and OSKIB do not have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

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52. CAPITAL ADEQUACY (CONT'D)

(c) Credit risk exposures by risk weights

2009

OSKIB Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,843,835	52	-	-	-	1,843,887	-	
20%	-	2,277,591	1,779,644	941,211	-	4,998,446	999,689	
35%	-	-	-	-	-	-	-	
50%	-	167,185	15,117	150,330	-	332,632	166,316	
75%	-	-	-	-	-	-	-	
100%	-	86,847	-	493,051	119,004	698,902	698,902	
150%	-	-	-	175,038	-	175,038	262,557	
Total	1,843,835	2,531,675	1,794,761	1,759,630	119,004	8,048,905	2,127,464	
Risk weighted assets by exposure	-	625,958	363,487	1,019,015	119,004	2,127,464		
Average risk weight	0%	25%	20%	58%	100%	26%		
Deduction from capital base	-	-	-	-	-	-	-	

52. CAPITAL ADEQUACY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2009

OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,251,902	52	-	-	-	1,251,954	-	
20%	-	2,274,913	77,824	941,211	-	3,293,948	658,790	
35%	-	-	-	-	-	-	-	
50%	-	167,185	15,117	150,330	-	332,632	166,316	
75%	-	-	-	-	-	-	-	
100%	-	86,847	-	314,644	69,268	470,759	470,759	
150%	-	-	-	175,038	-	175,038	262,556	
Total	1,251,902	2,528,997	92,941	1,581,223	69,268	5,524,331	1,558,421	
Risk weighted assets by exposure	-	625,422	23,123	840,608	69,268	1,558,421		
Average risk weight	0%	25%	25%	53%	100%	28%		
Deduction from capital base	-	-	-	-	-	-		

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52. CAPITAL ADEQUACY (CONT'D)

(d) Off balance sheet exposures and counterparty credit risk

2009

OSKIB Group

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Obligations under an on-going underwriting agreements	255,000		127,500	25,500
Foreign exchange related contracts One year or less	370,640	2,916	195,898	39,180
Interest/profit rate related contracts Over one year to five years	508,167	249	16,002	3,200
Equity related contracts One year or less	8,603	16,310	8,603	8,603
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	130,871	17,648	25,438	9,623
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	921,293		-	-
Total	2,194,574	37,123	373,441	86,106

52. CAPITAL ADEQUACY (CONT'D)

(d) Off balance sheet exposures and counterparty credit risk (Cont'd)

2009

OSKIB

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	255,000	■	127,500	25,500
Foreign exchange related contracts One year or less	370,640	2,916	195,898	39,180
Interest/profit rate related contracts Over one year to five years	508,167	249	16,002	3,200
Equity related contracts One year or less	8,603	16,310	8,603	8,603
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	130,871	17,648	25,438	9,623
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	■	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	348,449	■	-	-
Total	1,621,730	37,123	373,441	86,106

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

52. CAPITAL ADEQUACY (CONT'D)

(e) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	OSKIB Group		OSKIB	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest rate risk				
- General interest rate risk	4,460	-	3,320	-
- Specific interest rate risk	2,979	-	2,979	-
	<u>7,439</u>	<u>-</u>	<u>6,299</u>	<u>-</u>
Equity position risk				
- General risk	1,297	-	439	-
- Specific risk	1,989	-	658	-
	<u>3,286</u>	<u>-</u>	<u>1,097</u>	<u>-</u>
Foreign exchange risk	55,017	-	23,267	-
Option risk	2,296	-	2,296	-
	<u>68,038</u>	<u>-</u>	<u>32,959</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB")

Islamic banking operations of OSKIB

(a) BALANCE SHEETS AS AT 31 DECEMBER 2009

	Note	2009 RM	2008 RM
ASSETS			
Cash and short term funds	(e)	174,833,763	301,323,293
Securities held-to-maturity	(f)	283,835,824	202,957,451
Securities available-for-sale	(g)	372,835,222	-
Other assets	(h)	2,995,289	864,146
Statutory deposit with Bank Negara Malaysia		-	3,410
Equipment		20,100	20,861
TOTAL ASSETS		834,520,198	505,169,161
LIABILITIES			
Deposits from customers	(i)	775,823,186	453,000,593
Other liabilities	(i)	2,964,566	1,219,937
Tax payable		1,361,209	246,644
Deferred tax liabilities		81,389	-
TOTAL LIABILITIES		780,230,350	454,467,174
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		50,000,000	50,000,000
Reserves		4,289,848	701,987
TOTAL ISLAMIC BANKING CAPITAL FUNDS		54,289,848	50,701,987
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		834,520,198	505,169,161
COMMITMENT AND CONTINGENCIES		-	-

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(b) INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM	2008 RM
Income derived from investment of depositors' funds and others	(k)	19,026,137	10,960,970
Transfer to profit equalisation reserve		(669,000)	(90,000)
Gross and total attributable income		18,357,137	10,870,970
Income attributable to the depositors	(l)	(12,824,113)	(9,481,658)
Income attributable to OSKIB		5,533,024	1,389,312
Other expenses	(m)	(1,074,764)	(440,681)
Profit before tax		4,458,260	948,631
Income tax expense	(n)	(1,114,565)	(246,644)
Profit after tax		3,343,695	701,987

For amalgamation with the conventional operations, net income from Islamic banking scheme comprises the following items:

Income derived from investment of depositors' funds and others	19,026,137	10,960,970
Income attributable to the depositors	(12,824,113)	(9,481,658)
Transfer to profit equalisation reserve	(669,000)	(90,000)
Net income from Islamic banking scheme operations reported in Group-wide income statement	5,533,024	1,389,312

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

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

**(c) CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and tax	4,458,260	948,631
Adjustment for:		
Depreciation	3,531	1,842
Operating profit before working capital changes	4,461,791	950,473
(Increase)/decrease in operating assets:		
Securities available-for-sale	(372,509,667)	-
Securities held-to-maturity	(80,878,373)	(202,957,451)
Other assets	(2,131,143)	(864,146)
Statutory deposit with Bank Negara Malaysia	3,410	(3,410)
Increase in operating liabilities:		
Deposits from customers	322,822,593	453,000,593
Other liabilities	1,744,629	1,219,937
Net cash (used in)/generated from operating activities	(126,486,760)	251,345,996
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of equipment, representing net cash used in investing activity	(2,770)	(22,703)
CASH FLOW FROM FINANCING ACTIVITY		
Injection of funds for Islamic banking, representing net cash generated from financing activity	-	50,000,000
NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS	(126,489,530)	301,323,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	301,323,293	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	174,833,763	301,323,293

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

**(d) STATEMENT OF CHANGES IN ISLAMIC BANKING FUND
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Islamic banking fund	Available- for-sale reserve	Distributable retained profits	Total
	RM	RM	RM	RM
At 1 January 2009	50,000,000	-	701,987	50,701,987
Unrealised net gain on revaluation of securities available-for-sale	-	244,166	-	244,166
Total net income recognised directly in equity	-	244,166	-	244,166
Profit for the year	-	-	3,343,695	3,343,695
At 31 December 2009	50,000,000	244,166	4,045,682	54,289,848
At 1 January 2008				
Injection of funds for Islamic banking	50,000,000	-	-	50,000,000
Profit for the year/ Total net income recognised for the year	-	-	701,987	701,987
At 31 December 2008	50,000,000	-	701,987	50,701,987

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

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(e) CASH AND SHORT TERM FUNDS

	2009 RM	2008 RM
Current account with Bank Negara Malaysia	33,763	43,293
Money at call and deposit placements maturity within one month:		
Licensed banks	58,800,000	129,100,000
Licensed investment banks	-	50,000,000
Bank Negara Malaysia	116,000,000	122,180,000
	174,833,763	301,323,293

(f) SECURITIES HELD-TO-MATURITY

At amortised cost

Money market instruments:		
Islamic accepted bills	12,410,168	67,944,781
Cagamas bonds	5,059,128	-
Government Investment Issue	155,830,723	70,323,086
	173,300,019	138,267,867
Unquoted debt securities:		
Islamic private debt securities	110,535,805	64,689,584
	110,535,805	64,689,584
	283,835,824	202,957,451

The maturity structure of above securities are as follows:

Within one year	42,566,836	82,586,014
Two to five years	197,656,657	59,484,436
More than five years	43,612,331	60,887,001
	283,835,824	202,957,451

(g) SECURITIES AVAILABLE-FOR-SALE

At fair value

Money market instruments:		
Islamic accepted bills	197,145,159	-
Negotiable instruments of deposits	99,906,746	-
	297,051,905	-
Unquoted debt securities:		
Islamic private debt securities	75,783,317	-
	75,783,317	-
	372,835,222	-

(h) OTHER ASSETS

Income receivable	2,995,289	862,161
Prepayment	-	1,985
	2,995,289	864,146

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(i) DEPOSITS FROM CUSTOMERS

	2009	2008
	RM	RM
(i) By type of deposit		
Mudharabah Fund		
Mudharabah general investment deposits	775,823,186	453,000,593
(ii) By type of customer		
Government and statutory bodies	292,396,357	224,818,136
Domestic non-bank institutions *	361,644,315	154,433,836
Business enterprises	121,782,514	73,748,621
	775,823,186	453,000,593

* Domestic non-bank institutions include unit trust companies, trust funds and insurance companies.

The deposits of OSKIB in Malaysia are guaranteed by the Government of Malaysia via Perbadanan Insurans Deposit Malaysia ("PIDM"), an independent statutory body established under the Malaysia Deposit Insurance Corporation Act, 2005. This deposit guarantee is effective from 16 October 2008 until 31 December 2010. This guarantee covers all Ringgit Malaysia and foreign currency deposits held under fixed deposits and negotiable instruments of deposit held by non-bank customers, inclusive of all Islamic deposits. This guarantee excludes inter-bank money market placements and negotiable instruments of deposit held by banks.

(j) OTHER LIABILITIES

	2009	2008
	RM	RM
Income payable	1,950,434	1,017,748
Profit equalisation reserve #	759,000	90,000
Other payable	255,132	112,189
	2,964,566	1,219,937
# Profit equalisation reserve		
At beginning of the year	90,000	-
Provided	669,000	90,000
At end of year	759,000	90,000

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(k) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2009	2008
	RM	RM
Income from general investment deposits	19,026,137	10,960,970

Analysed as:

Finance income and hibah

Securities available-for-sale	1,336,939	532,264
Securities held-to-maturity	9,495,751	1,846,055
Deposit with financial institutions	3,965,120	8,012,924
Accretion of discount	4,228,327	569,727
	19,026,137	10,960,970

(l) INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers and financial institutions
- Mudharabah Fund

	12,824,113	9,481,658
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(m) OTHER EXPENSES

(i) Personnel costs

Salaries, wages, allowances and bonus	551,048	264,845
Pension costs - defined contribution plan	66,144	31,793
Other staff related expenses	18,309	3,939
	635,501	300,577

(ii) Establishment costs

Depreciation	3,531	1,842
Rental	3,512	72
Insurance	2,588	209
Repairs and maintenance	1,257	7,316
	10,888	9,439

(iii) Marketing and trading expenses

Advertisement and promotions	6,760	5,138
Fees and charges	33,587	3,094
Travelling expenses	1,263	9,377
Business development expenses	3,482	974
Subscriptions	64,167	9,926
Deposit insurance	158,903	-
	268,162	28,509

(iv) Administration and general expenses

Communication expenses	4,398	2,298
Printing and stationery	3,102	1,386
Administrative	152,713	98,472
	160,213	102,156

Total other expenses	1,074,764	440,681
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NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(n) INCOME TAX EXPENSE

	2009	2008
	RM	RM
Current year income tax expense	(1,114,565)	(246,644)

(o) CAPITAL ADEQUACY

The capital base and risk weighted assets, as set out below are disclose in accordance with paragraph 4.4 of Concept Paper - Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia. Paragraph 7.2(i) permits no corresponding disclosures in the previous reporting period upon first time adoption and disclosure of RWCAF and CAFIB.

(i) Risk weighted capital ratios and tier I and tier II capital

The capital adequacy ratios and capital base are as follows:

	2009	2008
Before deducting proposed dividends:		
Core capital ratio	53.94%	79.11%
Risk-weighted capital ratio	53.94%	79.11%
After deducting proposed dividends:		
Core capital ratio	53.94%	79.11%
Risk-weighted capital ratio	53.94%	79.11%
	RM'000	RM'000
Islamic banking funds	50,000	50,000
Retained profits	4,046	701
	<u>54,046</u>	<u>50,701</u>

OSKIB is the only entity in the Group that has Islamic banking operations. The capital adequacy ratios of the Islamic banking operations of OSKIB consist of capital base and risk weighted amounts derived from OSKIB.

The capital adequacy ratios of the Islamic banking operations of OSKIB is computed in accordance with RWCAF-Basel II. The Islamic banking operations of OSKIB has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2008: 8.0%) for the risk weighted capital ratio.

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(o) CAPITAL ADEQUACY (CONT'D)

(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk

2009

Islamic banking operations of the OSKIB

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weights Assets RM'000	Capital Require- ments RM'000
(a) Credit risk				
<i>On Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	378,049	378,049	-	-
Banks, development financial institutions and multilateral development banks	309,462	309,462	61,892	4,951
Insurance companies, securities firms and fund managers	-	-	-	-
Corporates	146,985	146,985	31,791	2,543
Other assets	24	24	24	2
Total on balance sheet exposures	834,520	834,520	93,707	7,496
<i>Off Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted exposures	-	-	-	-
Total off balance sheet exposures	-	-	-	-
Total on and off balance sheet exposures	834,520	834,520	93,707	7,496
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			6,493	519
(e) Total RWA and capital requirements			100,200	8,015

The Islamic banking operations of OSKIB does not has any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(o) CAPITAL ADEQUACY (CONT'D)

(iii) Credit risk exposures risk weights

Islamic banking operation of OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	378,049	-	-	-	-	378,049	-
20%	-	309,462	-	143,994	-	453,456	90,692
35%	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-
100%	-	-	-	2,991	24	3,015	3,015
150%	-	-	-	-	-	-	-
Total	378,049	309,462	-	146,985	24	834,520	93,707
Risk weighted assets by exposures	-	61,892	-	31,791	24	93,707	
Average risk weight	0%	20%	0%	22%	100%	11%	
Deduction from capital base	-	-	-	-	-	-	

53. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(o) CAPITAL ADEQUACY (CONT'D)

(iv) Off balance sheet exposures and counterparty credit risk

As at 31 December 2009, the Islamic banking operations of OSKIB do not have any off balance sheet exposures and their related counterparty credit risk.

(v) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	2009	2008
	RM'000	RM'000
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	-	-
Equity position risk		
- General risk	-	-
- Specific risk	-	-
	-	-
Foreign exchange risk	-	-
Option risk	-	-
	-	-

54. RECLASSIFICATION OF SECURITIES

During the current financial year, OSKIB, a wholly-owned subsidiary company, has reclassified certain securities held-for-trading ("HFT") to available-for-sale ("AFS") category pursuant to the BNM Circular, "Reclassification of Securities under Specific Circumstances". The provisions for reclassification are being introduced after taking into account the exceptional circumstances in the global financial markets and the recent changes to the international accounting standards in response to this development. The provisions in the Circular shall override the existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the HFT category and are permissible from 1 July 2008 until 31 December 2009. The subsidiary also reclassified certain securities AFS category to HTM during the previous financial year as shown below:

(a) Amounts reclassified

	RM'000
(i) Securities AFS to securities HTM on 29 December 2008	256,924
(ii) Securities HFT to securities AFS on 16 February 2009	61,160

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2009

54. RECLASSIFICATION OF SECURITIES (CONT'D)

(b) Carrying amounts and fair values

The carrying amount and fair value of securities reclassified (excluding reclassified investments that were disposed before the end of the quarter) are as follows:

	2009	2008
	RM'000	RM'000
(i) Securities AFS reclassified to securities HTM		
- Carrying value	238,227	256,924
- Fair value	217,230	256,924
(ii) Securities HFT reclassified to securities AFS		
- Carrying value	42,216	-
- Fair value	42,216	-

(c) Fair value loss recognised

Income Statement	-	-
Statement of Changes in Equity		
AFS reserve	(1,005)	-

(d) Effective interest rate and estimated amounts of cash flows as at dates of reclassification

	Effective	Estimated
	interest rate	cash inflows
	%	before
		discounting
		to present
		value
		RM'000
(i) Securities AFS to securities HTM on 29 December 2008	5.14 to 9.96	392,011
(ii) Securities HFT to securities AFS on 16 February 2009	5.09 to 5.73	75,238

**LIST OF PROPERTIES
31 DECEMBER 2009**

ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE RM'000
1 Plaza OSK, Jalan Ampang, Kuala Lumpur	24 storey building situated on Lot 148, Section 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan. Title no: Geran 11034	Freehold	5,351 square metres	30 December 1993	Offices	25 years	93,968
2 No.40, Jalan Radin Anum 2, Bandar Baru Sri Petaling, Kuala Lumpur	3 storey shop house situated on Lot 21315 Mukim Petaling, Batu 7, Jalan Sungai Besi, Wilayah Persekutuan. Title no: PM1958, Lot 21315 (formerly known as H.S.(M)2895)	Leasehold, expiring on 5 April 2078	167 square metres	28 April 1995	Office	14 years	650
3 No. 21-25, Jalan Seenivasagam, Greentown, Ipoh, Perak Darul Ridzuan	7 storey building at Town of Ipoh, District of Kinta, Perak Darul Ridzuan held under the following titles: Geran No: 64312 Lot 2279N Geran No: 64313 Lot 2280N Geran No: 64316 Lot 2281N PN 81190 Lot 2270N PN151250 Lot 2271N PN151251 Lot 2272N PN154658 Lot 2269N	Freehold (1778 square feet) and leasehold (5422 square feet), all expiring on 21 September 2894 except for PN154658 Lot 2269N expiring on 21 September 2884	7,200 square feet	21 February 2000	Offices	15 years	7,519
4 Jalan Radin Anum, Zone J4, Bandar Baru Seri Petaling, Wilayah Persekutuan	4 storey office building situated on PM 3355 Lot No.21479 Mukim Petaling Tempat Batu 7, Jalan Sg Besi, Wilayah Persekutuan.	Leasehold, expiring on 5 April 2078	557 square metres	15 March 2004	Office	6 years	3,677
5 No.39 & 39 A, Jalan Saujana 2/2, Taman Saujana Seksyen 2, Bukit Katil, 75450 Melaka	Double storey shop/office unit, held under Lot No. 5645 Geran 18872 (formerly known as H.S.(D) 29176, P.T. No. 4379) in Mukim Bukit Katil, Daerah Melaka Tengah, Melaka.	Freehold	143 square metres	9 March 2001	Storage facilities	12 years	224
6 No.579-580, Taman Melaka Raya, 75000 Melaka	3 storey shoplot held under Lot No. 365 Pajakan Negeri 2082 and Lot No. 366, Pajakan Negeri 2083 both in the Town Area XXXIX, District of Melaka Tengah, Melaka.	Leasehold, expiring on 4 October 2082	466 square metres	9 March 2001	Offices	23 years	647
7 Lot No: 377 & 378 Town Section 20, Town of Georgetown, Daerah Timor Laut, Pulau Pinang	5 storey building, held under title no. Geran 36826, Lot 377 and Geran 36827, Lot 378, Section 20, Bandar Georgetown, Daerah Timor Laut, Pulau Pinang.	Freehold	Lot 377: 1,358 square feet and Lot 378: 2,277 square feet	29 January 2001	Office	30 years	2,440

LIST OF PROPERTIES
31 DECEMBER 2009

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE RM'000
8	Jalan Ampang, Kuala Lumpur	Land with 2 storey building situated on Lot 26, Seksyen 43, Bandar Kuala Lumpur, Wilayah Persekutuan Title no: Geran 5692	Freehold	5,652.82 square metres [1a.2r.18.3p]	30 October 1996	Commercial use	-	112,600
9	Raub, Pahang Darul Makmur	Land at Lot 569, Mukim of Tras, District of Raub, Pahang Darul Makmur Title no: C.T.4823	Freehold	85a.3r10p	23 June 1995	Agriculture land	-	1,288
10	Raub, Pahang Darul Makmur	Land at Lot 431, Mukim of Tras, District of Raub, Pahang Darul Makmur Title no: EMR 1050	Freehold	4a.1r.30p	23 June 1995	Agriculture land	-	328
11	A-34, Lot 89 Jalan Pekeliling/ Padang Golf/Bungalow, 39000 Tanah Rata, Cameron Highlands, Pahang Darul Makmur	Riverview Bungalow situated on Lot 89, Mukim of Tanah Rata in the District of Cameron Highlands, Pahang Darul Makmur Title no: 2854	Leasehold, expiring on 1 November 2038	2a.2r.27p	7 September 1998	Staff accommodation and recreation	51 years	1,936
12	Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus	Land at H.S.(D) 10811 Lot PT No. 4952, Bandar Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus	Leasehold, expiring on 23 December 2096	28,428.999 sq.metres	28 March 2003	Vacant	-	1,981
13	Lot G59 & G61, Mukim Batu, District of Kuala Lumpur	No: 62 & 64 held under master title No PN33134, Lot 59059 (formerly known as PN 30371 Lot No 57745) Mukim Batu, District of Kuala Lumpur	Leasehold, expiring on 28 April 2096	1,104.037 square metres	3 May 2007	Office	6 years	3,797
14	Bandar Utama, Segamat, Johor Darul Takzim	Geran 258566, Lot 13199 (formerly known as H.S.(D) 26998 Lot No: PTD 8462), Mukim Sungai Segamat, District of Segamat, State of Johor	Freehold	153.2992 square metres	3 May 2007	Office	5 years	689
15	Perdana Avenue Lot 106 Sek 20 & Lot 107 Sek 20 Bandar Kuantan, Daerah Kuantan, Pahang Darul Makmur	Lot 106 (10177) PT 32834 HS(D) 10883 & Lot 107 (10178) PT 32833 HS(D) 10882 Sek 20. Bandar Kuantan, Daerah Kuantan, Pahang Darul Makmur	Freehold	260 square metres	3 May 2007	Office	3 years	2,084

LIST OF PROPERTIES
31 DECEMBER 2009

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE RM'000
16	119, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	H.S.(D): 372305 PTD NO:67727 Mukim Pulau, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	2 years	954
17	121, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	H.S.(D): 372306 PTD NO:67728 Mukim Pulau, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	2 years	954
18	Taman Molek, Johor Bahru, Johor Darul Takzim	PTD 189541 Plot 13 Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Freehold	230.4 square metres	29 June 2007	Office	1 year	1,502
19	Taman Molek, Johor Bahru, Johor Darul Takzim	PTD 189541 Plot 14 Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Freehold	178.37 square metres	29 June 2007	Office	1 year	989

**STATEMENT OF DIRECTORS' INTERESTS
AS AT 4 MARCH 2010**

OSK HOLDINGS BERHAD ("OSK" or "the Company")

Name of Director	Number of Ordinary Shares of RM1.00 each		
	Direct Interest	%	Indirect Interest
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	17,085,981	1.90	-
2. Ong Leong Huat	279,971,265	30.12	*14,814,973
3. Wong Chong Kim	1,406,658	0.16	**931,117

Notes:-

- * Disclosure made pursuant to Section 134(12)(c) of Companies Act, 1965 on interests held by his spouse and child.
- ** Deemed interested by virtue of his substantial shareholding in Harmony Chime Sdn. Bhd. and disclosure made pursuant to Section 134(12)(c) of Companies Act, 1965 on interests held by his spouse.

Name of Director	Number of Ordinary Shares of RM1.00 each		
	Direct Interest	%	Indirect Interest
1. Ong Leong Huat	1,875,000	n.a.	-
2. Wong Chong Kim	1,000,000	n.a.	-

Mr. Ong Leong Huat, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies (except wholly-owned subsidiary company) are as follows:-

OTHER SUBSIDIARY COMPANIES

Name of Companies	Number of Ordinary Shares of RM1.00 each	
	Indirect Interest	%
1. OSK-UOB Unit Trust Management Berhad	7,000,000	70.00
2. Finexasia.com Sdn. Bhd.	4,550,000	40.05

Name of Company	No. of Ordinary Shares of HK\$1.00 each	
	Indirect Interest	%
1. OSK Holdings Hong Kong Limited	162,000,000	91.02

Name of Company	No. of Ordinary Shares	
	Indirect Interest	%
1. DMG & Partners Securities Pte Ltd	38,250,000	51.00

Name of Companies	No. of Ordinary Shares of Rp. 1,000,000 each	
	Indirect Interest	%
1. PT OSK Nusadana Securities Indonesia	52,041	51.00
2. PT Nusadana Aset Managemen	24,808	50.61

Other than the above, none of the directors in office has any interest in the shares, warrants, debentures and options of the Company and its related corporations as at 4 March 2010.

**STATEMENT OF SHAREHOLDINGS
AS AT 4 MARCH 2010**

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM868,751,335 (excluding the treasury shares 24,149,412)
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

BREAKDOWN OF HOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of RM1.00 share	Percentage of Issued Capital
1 — 99	2,264	8.54	91,251	0.01
100 — 1,000	1,352	5.10	570,937	0.06
1,001 — 10,000	17,016	64.15	63,280,004	7.28
10,001 — 100,000	5,332	20.10	138,094,199	15.90
100,001 — 43,437,656*	558	2.11	394,743,679	45.44
43,437,566 and above**	2	0.00	271,971,265	31.31
	26,524	100.00	868,751,335	100.00

Remarks:

- * Less than 5 % of the issued holdings
** 5% and above of the issued holdings

SUBSTANTIAL SHAREHOLDER

According to the register required to be kept under Section 69L of the Companies Act, 1965, the substantial holder of the Company is as follows:

Name of Substantial Holder	Number of Ordinary Shares of RM1.00 each		
	Direct Interest	% Indirect Interest	%
1. Ong Leong Huat	279,971,265	30.12	-

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Ong Leong Huat	218,971,265	25.21
2. UOBM Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ong Leong Huat	53,000,000	6.10
3. Citigroup Nominees (Asing) Sdn. Bhd. JP Morgan CLR Corp for Third Avenue Global Value Fund LP	13,821,800	1.59
4. Koperasi Permodalan Felda Berhad	9,825,000	1.13
5. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Pengerang Jaya Pte. Ltd.	9,504,533	1.09
6. OSK Nominees (Tempatan) Sdn. Berhad OSK Capital Sdn. Bhd. for Tiong King Sing	8,530,000	0.98
7. Lee Sui Hee	7,523,875	0.87
8. CIMB Group Nominees (Tempatan) Sdn. Bhd. NMD Holdings Sdn. Bhd. for Dato' Nik Mohamed Din bin Datuk Haji Nik Yusoff (49444 PDZM)	7,500,000	0.86

STATEMENT OF SHAREHOLDINGS AS AT 4 MARCH 2010

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name	No. of Shares	%
9. Khor Chai Moi	7,421,878	0.85
10. Public Nominees (Tempatan) Sdn. Bhd, Pledged securities account for PJ Equity Sdn. Bhd. (PIVB)	7,167,053	0.82
11. HSBC Nominees (Asing) Sdn. Bhd. Best Investment Corporation	7,032,875	0.81
12. Cartaban Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds ASEAN	6,896,800	0.79
13. Nora Ee Siong Chee	6,625,000	0.76
14. Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	6,549,647	0.75
15. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-Asing)	6,422,125	0.74
16. Dato' Nik Mohamed bin Nik Yahya	6,375,911	0.73
17. Wong Chong Che	6,219,947	0.72
18. Wong Chong Ngin	6,088,000	0.70
19. Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund BZ52 for Leviitt Capital Management, LLC	5,417,875	0.63
20. CIMB Group Nominess (Tempatan) Sdn. Bhd. Cerah Daya Sdn. Bhd. for Dato' Nik Mohamed Din bin Datuk Haji Nik Yusoff (49850 PDZM)	5,000,000	0.58
21. Citigroup Nominees (Asing) Sdn. Bhd. GSCO for Truffle Hound Global Value LLC	5,000,000	0.58
22. ECML Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Leong Kam Chee (002)	4,927,500	0.57
23. Public Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Pengerang Jaya Pte. Ltd. (JRC)	4,685,840	0.54
24. Permodalan Nasional Berhad	4,631,943	0.53
25. Nik Mohamed Din bin Nik Yusoff	4,585,981	0.53
26. HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JY Ltd	4,565,393	0.53
27. HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JX Ltd	4,238,758	0.49
28. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged securities account for PJ Equity Sdn. Bhd.	4,154,376	0.48
29. HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YM Ltd	4,035,788	0.46
30. Cartaban Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds Malaysia	4,034,925	0.46

CDS Account No.	Number of ordinary shares

I/We _____ NRIC No./Passport No./Company No. _____
of _____

being a member/members of OSK Holdings Berhad hereby appoint:-

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (*delete if not applicable)

Full Name (in Block)	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twentieth Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 14 April 2010 at 2:30 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below :

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of Directors and Auditors thereon.			
		Resolution	FOR	AGAINST
2.	To sanction the declaration of a final dividend of 5 sen per share less 25% income tax in respect of the financial year ended 31 December 2009.	1		
3.	To approve the payment of Directors' fees of RM204,760.00 for the financial year ended 31 December 2009.	2		
4.	To re-elect Dato' Nik Mohamed Din bin Datuk Nik Yusoff as Director pursuant to Article 102(1) of the Company's Articles of Association.	3		
5.	To re-elect Mr Ong Leong Huat @ Wong Joo Hwa as Director pursuant to Article 102(1) of the Company's Articles of Association.	4		
6.	To re-appoint Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.	5		
Special Business				
7.	Authority to Issue Shares	6		
8.	Proposed Shareholders' Mandate	7		
9.	Proposed Renewal	8		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day _____ of _____ 2010

*Signature/Common Seal of Shareholder
* Delete if not applicable

NOTES:

1. A member entitled to attend and vote at this meeting entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

CONTACT

■ **OSK Holdings Berhad** (207075-U)

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