ANNUAL REPORT 2010

OSK Holdings

CONTENTS

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of the Company will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 13 April 2011 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 2010 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 2010. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2010. **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' Abdul Majit Bin Ahmad Khan **Ordinary Resolution 3**

   (b) Mr. Foo San Kan **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 and Special 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 Part A(I) of the Circular to Shareholders dated 22 March 2011, 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 RM59.05 million for the financial year ended 31 December 2010 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**

NOTICE OF ANNUAL GENERAL MEETING

9. **SPECIAL RESOLUTION**
   PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

   "THAT, the amendments to the Articles of Association of the Company as set out in Part A(II) of the Circular to Shareholders dated 22 March 2011 be and is hereby approved and adopted AND THAT the Board of Directors be and is hereby authorised to give effect to the said amendments." **Special Resolution**

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

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 2010, if approved by the shareholders at the Twenty-First Annual General Meeting, will be payable on 19 May 2011 to shareholders whose names appear in the Register of Members and Record of Depositors on 29 April 2011.

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 27 April 2011 (in respect of shares which are exempted from mandatory deposit);

(b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 29 April 2011 in respect of ordinary transfers; and

(c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHUA SIEW CHUAN (MAICSA 0777689)
CHIN MUN YEE (MAICSA 7019243)

Company Secretaries

Kuala Lumpur
22 March 2011

NOTICE OF ANNUAL GENERAL MEETING

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 at 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

    1. 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.

    2. 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.

    3. 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 22 March 2011 for further information.

    4. 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 utilizing the funds allocated which shall not exceed the earnings and share premium of the Company.

       Please refer to the Share Buy-Back Statement dated 22 March 2011 for further information.

    5. Special Resolution – Proposed Amendments

       The Proposed Amendments is to facilitate the payment of dividend, interest or other monies payable in cash in respect of a share directly into the shareholders' account opened and maintained with a financial institution in Malaysia by way of electronic payment.

       Please refer to the Circular to Shareholders dated 22 March 2011 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 Twenty-First Annual General Meeting are set out in the Directors' Profile appearing on pages 15 to 16 of this Annual Report.

FIVE-YEAR GROUP FINANCIAL SUMMARY

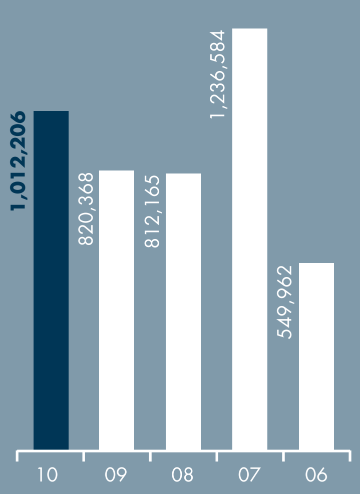
(RM'000)	2010	2009	2008	Restated 2007 [2]	2006 [1]
FINANCIAL RESULTS					
Revenue	**1,012,206**	820,368	812,165	1,236,584	549,962
Profit Before Tax	**194,972**	191,022	168,187	446,642	161,638
Profit Attributable To Owners Of The Company	**117,613**	112,629	134,774	284,744	99,501
KEY BALANCE SHEET DATA					
Total Assets	**9,988,702**	9,887,117	6,138,675	8,466,710	3,816,941
Total Liabilities	**8,295,251**	8,375,430	4,459,291	6,571,300	2,295,827
Net Assets Attributable To Owners Of The Company (Shareholders' Funds)	**1,448,710**	1,287,140	1,380,401	1,518,148	1,222,254
Number Of Outstanding Ordinary Shares As Issued And Fully Paid Excluding Treasury Shares Held ('000 shares)	**938,060**	654,516	648,922	648,064	608,569
SHARE INFORMATION					
Basic Earnings Per Share (sen)	**12.78**	13.88 [3]	16.62 [3]	35.92 [3]	13.07 [3]
Gross Dividends Per Share (sen)	**7.50**	7.50	7.50	20.00	12.50
Net Assets Per Share Attributable To Owners Of The Company (RM)	**1.54**	1.97	2.13	2.34	2.01
Closing Price At End Of The Year (RM)	**1.97**	1.71	0.99	2.32	1.96

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

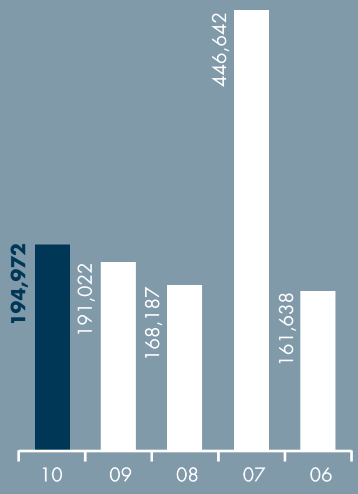
2 The financial figures for financial year 2007 have been restated in accordance with BNM / GP8.

3 For comparison, the weighted average number of ordinary shares in issue for the financial year 2006 to 2009 had been restated for the effects of bonus issue on the basis of one (1) new Share ("Bonus Share") for every four (4) existing Shares held, which was completed on 25 January 2010, as if the bonus issue had been issued at the beginning of the financial years.

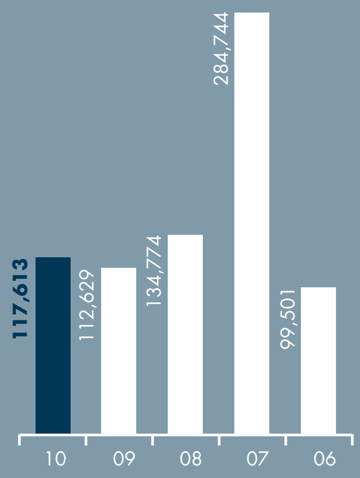
FIVE-YEAR GROUP FINANCIAL SUMMARY



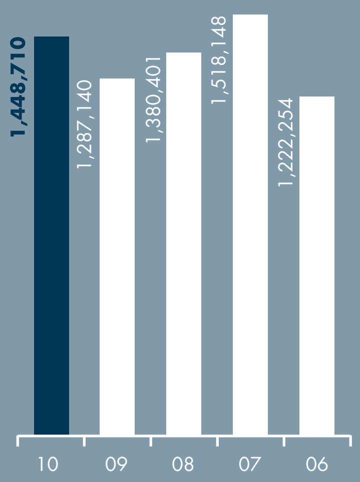
Revenue
(RM'000)



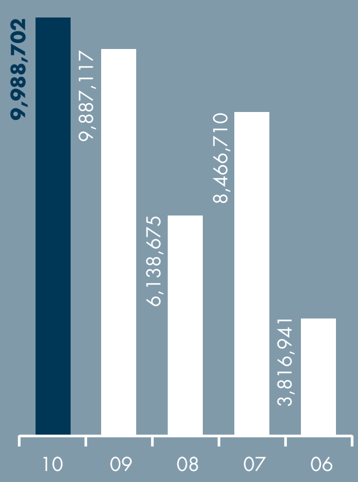
Profit Before Tax
(RM'000)



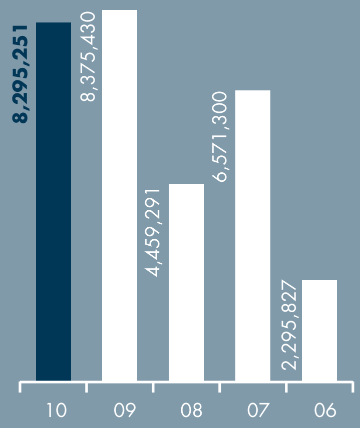
Profit Attributable To Owners
Of The Company (RM'000)



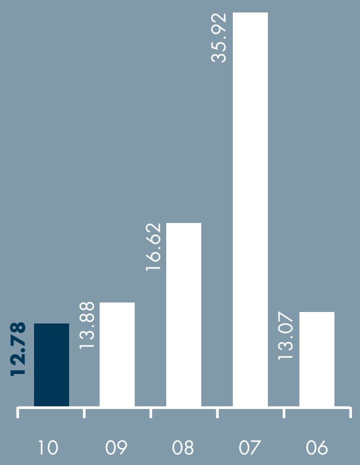
Shareholders' Funds
(RM'000)



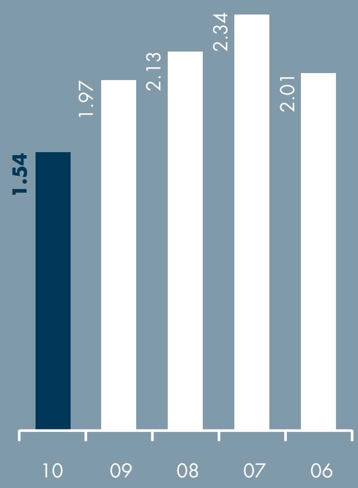
Total Assets
(RM'000)



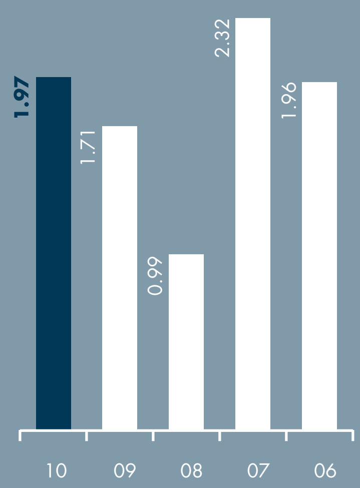
Total Liabilities
(RM'000)



Basic Earnings Per Share
(sen)



Net Assets Per Share Attributable
To Owners Of The Company
(RM)



Closing Price At End Of The Year
(RM)

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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*
Wong Chong Kim

COMPANY SECRETARIES

Chua Siew Chuan *(MAICSA 0777689)*
Chin Mun Yee *(MAICSA 7019243)*

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
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
PT Bank Permata TBK
PT Bank OCBC Indonesia
PT Bank CIMB Niaga

SOLICITORS

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

INVESTMENT BANKING
Ong Ju Yan
Chief Operating Officer
Head of 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
Adrian Khong Hock Seng
Associate Director
Acting Head of Treasury

WEALTH MANAGEMENT
Ngu Kee Keong
Associate Director
Wealth Management

PRIVATE BANKING
Christine Cho Oi Kwan
Associate Director
Head of Private Banking

BUSINESS DEVELOPMENT
Nik Halim @ Nik Ghazi Bin Nik Daud
Director
Business Development

CORPORATE CREDIT
Loo Kok Chee
Associate Director
Corporate Credit

DEALING
Eddy Tan Kheak Geai
Head of Northern and East Coast Regions
Director of Dealing (Securities)

Alan Chong Chee Choong
Head of Central and Southern Regions
Director of Dealing (Securities)

Roy Kevin Ho Shie Vui
Head of East Malaysia Region
Associate Director 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

Paul Ong Keng Loon
Director
e-Broking

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

OPERATIONS
Wong Eng Kui
Director
Head of Operations

Jessica Chang Wai Kuen
Senior Vice President
Operations

Cheong Swee Keong
Associate Director
Head of Credit Control and Supervision

GROUP SUPPORT SERVICES
Woon Chong Boon
Chief Operating Officer
Head of Corporate Strategy & Finance

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 Pik Yuen
Senior Vice President
Head of Compliance

MANAGEMENT TEAM

NETWORK OFFICES

Khoo Guan Cheong
Associate Director
Head of Branch – Penang

Ch'ng Kien Hong
Senior Vice President
Head of Branch – SS2

Lee Yuan Tat
Senior Vice President
Acting State Manager – Perak

Lim Beng Hock
Senior Vice President
Head of East Coast Region

Andrew Tan Chai Huat
Senior Vice President
Head of Branch – Melaka

Vincent Wong Moon Fook
Senior Vice President
State Manager – Negeri Sembilan

Liew Yet Yong
Vice President
Acting Head of Branch – Johor Bahru

Chiu Pit Voo @ Michael
Vice President
Head of Branch – Sabah

OSK HOLDINGS – HONG KONG

Hui Chiu Chung, Stephen, JP
Chief Executive Officer
OSK Holdings Hong Kong Limited

Sui Ming Fai, Robin
Executive Director
OSK Holdings Hong Kong Limited

Lim Ah Lay
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

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
Senior Manager/
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 3 MARCH 2011

OSK HOLDINGS BERHAD (207075-U)

- **100%** OSK INVESTMENT BANK BERHAD

FOREIGN SUBSIDIARIES

- **100%** OSK International Investments Pte. Ltd.
  - **100%** OSK International Asset Management Pte. Ltd.
- **100%** OSK Indochina Bank Limited
  - **100%** OSK Indochina Securities Limited
- **93.5%** OSK Holdings Hong Kong Limited
  - **100%** OSK Securities Hong Kong Limited
    - **100%** OSK Nominees Hong Kong Limited
  - **100%** OSK Futures Hong Kong Limited
  - **100%** OSK Finance Hong Kong Limited
  - **100%** OSK Capital Hong Kong Limited
  - **100%** OSK Precious Metals Hong Kong Limited
  - **100%** OSK International Investments Hong Kong Limited
  - **100%** OSK Wealth Management Hong Kong Limited
  - **100%** OSK (China) Investment Advisory Co. Ltd.
- **51%** PT OSK Nusadana Securities Indonesia
  - **99.23%** PT OSK Nusadana Asset Management
- **51%** DMG & Partners Securities Pte. Ltd.
  - **100%** DMG & Partners Nominees Pte. Ltd.
  - **100%** Summit Nominees Pte. Ltd.
  - **100%** DMG & Partners Research Pte. Ltd.

LOCAL SUBSIDIARIES

- **100%** OSK Futures and Options Sdn. Bhd.
- **100%** OSK Research Sdn. Bhd.
- **100%** OSK International Asset Management Sdn. Bhd.
- **70%** OSK-UOB Unit Trust Management Berhad
  - **100%** OSK Wealth Planners Sdn. Bhd. *(In Members' Voluntary Winding Up)*
  - **70%** OSK-UOB Islamic Fund Management Berhad
- **100%** OSK Nominees (Tempatan) Sdn. Berhad
- **100%** OSK Nominees (Asing) Sdn. Berhad
- **100%** TCL Nominees (Tempatan) Sdn. Bhd.
- **100%** TCL Nominees (Asing) Sdn. Bhd.
- **100%** KE-ZAN Nominees (Tempatan) Sdn. Bhd.
- **100%** KE-ZAN Nominees (Asing) Sdn. Bhd.
- **80%** OSK Trustees Berhad **20%**

  Shareholdings are held by:

OSK Investment Bank Berhad	**20%**
OSK Nominees (Tempatan) Sdn. Berhad	**20%**
OSK Nominees (Asing) Sdn. Berhad	**20%**
OSK Futures and Options Sdn. Bhd.	**20%**
Total	**80%**

- **80%** Beneficial Services Berhad *(In Members' Voluntary Winding Up)* **20%**

  Shareholdings are held by:

OSK Investment Bank Berhad	**20%**
OSK Nominees (Tempatan) Sdn. Berhad	**20%**
TCL Nominees (Tempatan) Sdn. Bhd.	**20%**
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	**20%**
Total	**80%**

CORPORATE STRUCTURE

ASSOCIATED COMPANIES

- **39.81%** iFast-OSK Sdn. Bhd.
  - **85%** iFast Capital Sdn. Bhd.
    - **100%** iFast Nominees Sdn. Bhd.
  - **100%** FA Corporate And Compliance Consultancy Sdn. Bhd.
- **40.05%** Finexasia.com Sdn. Bhd.
  - **100%** Stock188.com Sdn. Bhd.
- **30%** UOB-OSK Asset Management Sdn. Bhd.

OTHER SUBSIDIARIES

- **100%** OSK Capital Sdn. Bhd.
- **100%** OSK Ventures Sdn. Bhd.
- **100%** OSK Realty Sdn. Bhd.
- **100%** OSK Investment Bank (Labuan) Limited
- **100%** OSK REIT Management Sdn. Bhd.
- **100%** KE-ZAN Holdings Berhad
  - **100%** K.E. Malaysian Capital Partners Sdn. Bhd. *(In Members' Voluntary Winding Up)*
  - **100%** KPEN Sdn. Bhd. *(In Members' Voluntary Winding Up)*

DIRECTORS' PROFILE

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, aged 68, 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Nik Mohamed Din attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

ONG LEONG HUAT
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ong Leong Huat, aged 66, 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 Securities Market Consultative Panel of Bursa Malaysia.

For over 17 years since 1969, he was attached to a leading financial institution 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 ("OSKIB"). He retired as the Group Managing Director/CEO in compliance with regulatory requirement and was re-designated to a Non-Independent Non-Executive Director of OSKIB, a position he still holds.

Mr. Ong is also a director of Bursa Malaysia Berhad and OSK Property Holdings 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Ong attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

DIRECTORS' PROFILE

WONG CHONG KIM
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Chong Kim, aged 54, 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 a member of the Audit Committee, Risk Management Committee, Nominating Committee and ESOS Committee of the Company.

Mr. Wong is a Chartered Accountant and a member of the Malaysian Institute of Accountants. He is also a fellow member 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Wong attended six (6) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

FOO SAN KAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Foo San Kan, aged 62, 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 member 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Foo attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

DIRECTORS' PROFILE

DR. NGO GET PING
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Ngo Get Ping, aged 52, 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 the 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 to 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dr. Ngo attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

DATO' ABDUL MAJIT BIN AHMAD KHAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abdul Majit bin Ahmad Khan, aged 65, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Remuneration Committee and ESOS Committee and a member of the 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 53 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Abdul Majit attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2010.

CHAIRMAN'S **STATEMENT**

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

CHAIRMAN'S STATEMENT

The year 2010 began with the market environment turning more favorable and business prospects improving compared to 2009. The recovery momentum in the later part of 2009 was expected to continue into 2010, supported by the ongoing implementation of government stimulus measures. The International Monetary Fund had forecast that global growth for 2010 would come in at 3.9%, up from a contraction of 0.8% in 2009. Asian countries were expected to see better growth prospects driven by strengthening domestic demand and a more robust financial sector. However, the structural issues facing advanced economies such as high unemployment, a fragile financial sector and weaker fiscal policies posed downside risk to this growth outlook given Asia's dependence on export demand. In Malaysia, the government had envisaged a GDP growth of 3.5% for 2010 at the beginning of the year.

In view of these uncertainties, we expected a challenging yet exciting year for the Group. 2010 turned out to be better than expected, but not without considerable uncertainties and challenges that pressured the sustainability of the growth recovery and stability of the global financial markets. Of concern were the renewed European sovereign debt problems, rising inflationary pressures and the large and volatile capital flows. However, concerted efforts of the authorities in the advanced economies as well as the Asian countries helped moderate the escalation of negative sentiment. Overall, the regional markets performed well in 2010. The KLCI gained 19% in 2010, whereas the stock exchanges in Indonesia, Singapore and Hong Kong gained 46%, 10% and 5% respectively. In terms of real GDP growth in 2010, Malaysia, Indonesia, Singapore and Hong Kong registered growth rates of 7.2%, 6.1%, 14.5% and 6.8% respectively, all higher than the respective countries' initial forecasts at the beginning of the year.

Despite the relatively challenging market environment in 2010, the Group performed reasonably well, chalking up another profitable year. The strategies implemented by the management over the past few years to ensure sustainable and profitable growth have bore fruit. The Group continued to make progress despite the challenges and will continue to enhance our capabilities and competitiveness in the marketplace. The Group will keep growing in many aspects - in terms of market coverage, products and services, human capital and skills development, financial strength as well as network infrastructure.

Financial Performance

In 2010, the Group achieved a commendable revenue growth of 23%, bringing its revenue to RM1,012.2 million versus RM820.4 million in 2009. Its pre-tax profit, including a RM46.5 million provision for impairment losses on investments and a RM21.4 million gain on revaluation of an investment property, increased by 2% from RM191.0 million to RM195.0 million. Excluding the one-off impairment loss on investments and revaluation gain, the Group would have recorded a pre-tax profit growth of 20% to RM220.1 million in 2010 from RM183.3 million in 2009, excluding the net reversal of impairment loss on investments. The Group achieved a profit after tax (before minority interest) of RM151.3 million for the year.

Despite the 4% improvement in profit after tax (after minority interest) to RM117.6 million in 2010, the Group's earnings per share dipped from 13.88 sen to 12.78 sen, due mainly to the issuance of new ordinary shares arising from the conversion of warrants, exercise of Executive Share Option Scheme ("ESOS") and a bonus issue completed during the year. The larger share base from the conversion of Warrant B 2000/2010 and exercise of ESOS into 118.9 million new ordinary shares and the issuance of 164.7 million new ordinary shares as bonus shares had collectively led to a 22% decline in the Group's net assets per share from RM1.97 to RM1.54, notwithstanding a 13% increase in net assets base to RM1.45 billion as at the end of 2010.

The investment banking segment maintained its lead as the Group's top profit contributor in the year under review contributing RM61.1 million, or 31%, to the Group's pre-tax profit despite the provision for impairment losses on investments. Excluding the provision, the investment banking segment would have contributed almost half of the Group's pre-tax profit. The Group will continue to aggressively grow its investment banking business.

The equities and futures segment, which was the 2nd largest contributor to the Group in 2010, generated a pre-tax profit of RM52.9 million for the year ended 31 December 2010, or 27% of the Group's pre-tax profit, compared with RM73.5 million in the previous year. In Malaysia, the Group continued to lead the industry in terms of equities trading volume, with a market share of 10.7%. In Singapore, through its 51%-owned subsidiary DMG & Partners Securities Pte Ltd, the Group clinched the top spot for the first time with a respectable equity market share of 9.5%.

The Group's loans and financing segment remained as the 3rd biggest contributor, accounting for 23% of the Group's pre-tax profit. In 2010, the loans and financing segment achieved a significant pre-tax profit growth of 40% to RM45.5 million, primarily from higher share margin facilities. The property investment segment saw a marked increase in pre-tax profit of RM21.3 million as a result of a gain on revaluation of investment property amounting to RM21.4 million.

In line with the Group's regional diversification strategy, contribution from the overseas operations increased from 25% in 2009 to 29% in 2010 on a pre-tax profit growth of 19%. Singapore continued to dominate the overseas segment, achieving a pre-tax profit of RM58.2 million. The Group's Indonesian subsidiaries made an impressive turnaround from a loss of RM1.1 million in 2009 to a pre-tax profit of RM10.4 million in 2010. Indonesia achieved a commendable improvement in equities brokerage ranking, rising from 29th place in 2009 to 12th in 2010 amongst 123 brokers. Elsewhere, Cambodia's loss widened to RM2.8 million from RM1.8 million due to additional costs incurred on the opening of 4 new branches in that country.

In Hong Kong, the Group invested significantly into the research and institutional equities teams to strengthen our regional equity business. We also started new businesses such as asset management and wealth management to fortify the Group's regional presence and to introduce new revenue sources in Hong Kong. The start-up and additional operating costs associated with the new investments and businesses resulted in Hong Kong making a loss of RM8.5 million in 2010 compared to a break even position in 2009. With these investments, we expect Hong Kong to contribute more meaningfully to the Group's bottom line in the near future.

The Group's performance in 2010 reflects a good balance of revenue and profit contributions from our various business segments. Coupled with our increasingly strong presence in the region and our continued emphasis on regional expansion, the Group is well placed for future growth and sustainability in revenue and profit.

Review of Operations

In 2010, the Group notched up several notable achievements. OSK Investment Bank Berhad in Malaysia was ranked 2nd and 3rd in terms of volume for Initial Public Offerings and Merger & Acquisition activities in the country respectively. On the other hand, our 51%-owned subsidiary, DMG & Partners Securities Pte Ltd, came in 4th for Initial Public Offerings in Singapore. These achievements reflect our persistent efforts in strengthening 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 managed to sustain its deposit base at RM4.5 billion as at 31 December 2010 despite heightening competition, which saw local banks offering aggressive deposit rates. The Group continued to be competitive by keeping our cost of funds low in order to enhance the attractiveness of our financing and treasury products. In 2010, the Group attained a loan portfolio of RM777 million, up by a significant 147% from RM314 million a year ago. The Group will continue to progressively grow its deposit base and loan portfolio going forward.

The Group also achieved commendable rankings in the equities and futures business. The Malaysian equities business was ranked 1st in volume and 6th in value, maintaining our top position in volume with a 10.7% market share and achieving an 18% growth in equities trading value, representing a market share of 6.5%. We opened 3 branches - in Farlim, USJ Taipan and Kota Damansara in 2010 - and another branch in Bandar Puchong Jaya in January 2011. With the new additions, we now have an extensive branch network of 57 branches, including the Principal Office, to service our clients in Malaysia.

In the futures trading business, we continued to be one of the market leaders in Malaysia with creditable market shares of 12.2% and 7.2% for the FKLI and FCPO respectively. To strengthen our market position, we established a 24/5 customer contact center for online trading customers, launched the Direct Market Access Service for online trading of foreign futures, as well as a Futures Night Desk for futures trading activities done at night, local time.

In Singapore, we achieved a historic milestone in 2010, grabbing the top spot in the equities business by attaining a respectable market share in value terms of 9.5%, up from 7.6% in 2009. We believe that this landmark achievement, which reflects our strong commitment in growing our equities business in Singapore, should lay a strong foundation for future growth.

Our equities business in Indonesia has been experiencing exponential growth since the Group started building its branch network and institutional sales team in mid 2009. Our market share grew substantially from 1.1% in 2009 to 2.7% in 2010, more than doubled from a year ago. Our ranking in Indonesia's equities market also improved significantly from 29th place in 2009 to 12th in 2010. In 2010, we set up six new branches - in Medan, Wisma Slipi (Jakarta), Malang, Kedaton (Bandung), Kertajaya (Surabaya) and Mega Pluit (Jakarta). Currently we have a total of 12 branches, including a Principal Office, in Indonesia with plans to open at least five more branches in 2011.

In Hong Kong, we also maintained our market position in the equities business. We opened a third branch, in Shum Shui Po, in February 2010 to complement the business at the Head Office in Central and the branches in Mongkok and Quarry Bay. In a move to further develop the OSK brand name in China, we also established a representative office in Shenzhen, China in March 2010 to complement the business in Hong Kong and the services of OSK (China) Investment Advisory Company Ltd, a Shanghai-based subsidiary of the Group.

CHAIRMAN'S STATEMENT

Our progress in growing our commercial banking business in Cambodia is on track. In November 2010, we opened four new branches as planned - one each in the provinces of Battambang, Kampong Cham, Preah Sihanouk and Siem Reap. We now have a total of 9 branches including the Principal Office in Cambodia, which are well positioned to reach out to serve a wider section of that country's population and businesses. Through our wholly-owned subsidiary, OSK Indochina Securities Ltd, the Group also successfully secured a securities licence from the Securities and Exchange Commission of Cambodia in October 2010 to undertake activities covering underwriting, dealing, stockbroking and investment advisory services. We are strongly committed to build our name in Cambodia leveraging on the strengths of our commercial bank and stockbroking businesses, as well as the business opportunities presented by the growing Cambodian economy in anticipation of the commencement of the Cambodian Stock Exchange in the second half of 2011.

The Group's fund management business is spearheaded by its 70%-owned subsidiary, OSK-UOB Unit Trust Management Berhad ("OSK-UOB UTM"). In 2010, OSK-UOB UTM launched 10 new unit trust funds, bringing its stable of funds distributed in Malaysia to 52, with total assets under management totaling RM5.2 billion as at 31 December 2010. OSK-UOB UTM maintained its 4th market placing, the same as last year. Including third party funds, the Group presently manages a total fund size of over RM7.5 billion. Having secured the required licence in June 2010, the Group is now making preparations to enter the Islamic fund management market to strengthen its fund management business in the region.

The Group's research arm delivered an impressive performance in the 2010 Asiamoney Brokers Poll, winning the top spots for Small Caps research coverage in Malaysia and Singapore, Second Most Improved Brokerage in Malaysia, as well as Most Improved Brokerage and Second Most Independent Research Brokerage in Singapore. We believe our highly regarded small cap research would complement our equities business, particularly in our niche markets. We will also continue to improve our large cap research to support our institutional equities business.

We are committed to invest heavily in information technology and network infrastructure to increase operational efficiency, enhance work processes and support our new products and businesses. In 2010, we had committed to purchase, and are now implementing, several new IT systems at our head office, including SunGard's risk management system, Misys's treasury and derivatives system, Risk-X's margin financing system, and Silverlake's core investment banking system. We will be upgrading our equities systems in Indonesia, enhancing our online trading platforms and introducing a new private banking and wealth management system for the Group. We are also investing in a new regional Group-wide communications system that encompasses email, VOIP, intranet, e-community and work flow enhancements. We believe these investments in technology and systems will yield the desired results in our regional integration plan as well as our IT enhancement roadmap.

Overall, the Group performed well in 2010 despite the global uncertainties and a challenging economic environment. We made good progress in growing our existing businesses and expanding our regional footprint. That said, we believe that we are on track to achieve our vision to become an outstanding investment banking and financial services group in the region. Although we take pride in our milestone achievements, we remain focused on continuously seeking opportunities to be more competitive and are committed to serve our customers better by recognizing their changing needs.

Corporate Developments

On the corporate front, the bonus issue announced in December 2009 was completed on 26 January 2010 with the issuance of 164.7 million new shares to the shareholders of OSK Holdings Berhad. During the period from 1 January 2010 to the warrants' expiry date of 1 March 2010, a total of 116.3 million warrants were converted into new ordinary shares, out of which 3.2 million warrants were converted at RM1.25 each and 113.1 million warrants at RM1.00 each. A total of 7.7 million warrants were not exercised as of the expiry date and were removed from the Official List of Bursa Securities.

In 2010, the Group undertook two restructuring exercises to streamline its corporate structure to gain business and operational synergies as well as achieve economies of scale. The first exercise was an internal restructuring which involved the transfer of clients' discretionary accounts (and part of the non-discretionary accounts) from OSK International Asset Management Sdn Bhd ("OSKIAM") to OSK-UOB Unit Trust Management Berhad in order to streamline the asset management business and tap into a larger operational and customer base. The internal restructuring of OSKIAM, which is still in progress, is targeted for completion in 2011. The second exercise involved the business merger of six nominee companies into two companies - one for resident customers and another for non-resident customers. The merger, completed on 1 September 2010, will enhance operational efficiency and improve cost effectiveness. The process of liquidating four dormant companies, namely Beneficial Services Berhad, K.E. Malaysian Capital Partners Sdn Bhd, KPEN Sdn Bhd and OSK Wealth Planners Sdn Bhd, which commenced in 2009, is still in progress, with a targeted completion in 2011.

CHAIRMAN'S STATEMENT

The Group is pleased to have been granted two licences in 2010 which are critical to our expansion into Islamic fund management in Malaysia, as well as the equities and investment banking business in Cambodia. OSK-UOB Islamic Fund Management Berhad ("OSK-UOB IFM") was granted the Capital Markets Services Licence by the Securities Commission of Malaysia on 17 June 2010 to carry out Islamic fund management and dealing in securities restricted to unit trust activities. OSK-UOB IFM, incorporated on 17 November 2009, had an issued and paid up capital of RM12 million as at 30 December 2010. On 20 October 2010, OSK Indochina Securities Limited ("OSKISL") was granted a Licence for Securities Firm by the Securities and Exchange Commission of Cambodia to undertake the business of securities underwriting, securities dealing, securities brokerage and investment advisory in Cambodia. OSKISL, incorporated on 17 February 2010 with an issued and paid-up capital of USD10 million, is expected to commence operations in the second half of 2011.

The Group is constantly seeking to identify potential regional markets and establish strategic alliances with regional partners. The Group is currently assessing Thailand as a new market for its regional expansion and has completed a due diligence review on BFIT Securities Public Company Limited, a securities company listed on the Stock Exchange of Thailand. We are currently in discussions with the target company on the due diligence findings, with a view to signing a definitive agreement at a later date.

In early 2011, the Group established two strategic affiliations with major regional players. On 11 February 2011, the Group entered into a Memorandum of Understanding on strategic cooperation with Sacombank-SBS, a securities company listed on the Ho Chi Minh Stock Exchange that provides a full range of investment banking services to both the domestic and foreign markets. The strategic cooperation aims to achieve, amongst others, the sharing of technology, knowledge, clients, and related activities that involve foreign investment in the Vietnamese stock exchange. On 9 March 2011, the Group inked a Memorandum of Understanding with Okasan Securities Company Limited ("Okasan Securities"), a Japanese company providing securities brokerage services and a subsidiary of Okasan Securities Group, Inc which is listed on the First Sections of the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange. The affiliation with Okasan Securities is aimed at exploring opportunities to promote the capital markets business in countries such as Malaysia, Indonesia, Singapore, Japan and other capital markets to be agreed on by both parties.

Prospects for 2011

The year 2011 is expected to present many opportunities and we look forward to an exciting year. The Asian economies, including Malaysia's, are on track to more sustainable growth rates compared with the above-average pace in 2010. Strong domestic demand, robust regional demand for Asia's exports, proactive fiscal stimulus measures, stable financial markets and accommodative monetary policies will remain the key drivers of Asia's resilience compared to the advanced economies. The growth prospects of the Malaysian and the Asian economies bode well for the Group as a whole.

While we expect 2011 to be a better year compared to 2010, we are mindful of the challenges and potential pitfalls ahead. The European sovereign debt issue and rising inflationary pressures are expected to spill over to 2011. The recent upheaval in the Middle East may negatively affect the global economy and cause oil prices to escalate, which will further aggravate inflationary pressure. We also take cognizance of the implications of tighter policies in some Asian economies as well as the prudent management of capital flows. Despite the challenges, the Group will continue to keep our fundamentals and financials healthy, as well as strive to enhance our competitiveness moving forward.

Similar to 2010, the Group's main focus for 2011 is to build on our existing regional network in Singapore, Hong Kong, Shanghai, Indonesia and Cambodia while seeking new regional markets and strategic affiliations with major regional players. The Group plans to make a foray into Thailand as the next regional market. Discussions are currently underway. We are optimistic of entering Thailand in 2011 which, upon successful entry, would enhance our offerings in the ASEAN region.

We believe that to be truly regional, we should not only establish a presence in the regional markets but also seek strategic affiliations with regional players to expand our market coverage and distribution capabilities. We believe the mutual benefits arising from these strategic affiliations would help us in enhancing our market visibility, improving product development and innovation, while promoting capital markets in the region. From this perspective, we view strategic affiliations as our next pillar of growth. To this end, we have embarked on establishing strategic partnerships with regional players in Vietnam (i.e. Sacombank-SBS) and Japan (i.e. Okasan Securities). In the immediate future, we are targeting strategic alliances with major players in Korea, Taiwan and Philippines.

CHAIRMAN'S STATEMENT

The key theme for 2011 will be the continuation of our regional integration in terms of business, operations and network infrastructure to achieve synergies and realize the values inherent in a regional group. The Group will also build on our expertise and knowledge in the small and mid cap markets to reinforce our niche position in the region. We will also 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.

The Group will continue to practise prudent risk management and implement good business strategies to meet the challenges ahead. The Board remains optimistic of the outlook for 2011 and is confident that the Group will perform better during the year, supported by our comprehensive regional coverage, extensive branch networks in the countries that we operate in, and our solid fundamentals. We look forward to the year 2011 with great enthusiasm and optimism, and hope that it would bring greater growth opportunities and success to the Group.

Dividends

For the financial year 2010, OSK Holdings Berhad paid an interim dividend of 2.5 sen per share less 25% income tax on 28 September 2010. 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 2010, bringing the total dividend declared to 7.5 sen per share less income tax. The final dividend is subject to shareholders' approval at this Annual General Meeting.

Acknowledgement

With effect from 17 January 2011, Mr. Ong Leong Huat retired from his position as the Group Managing Director and Chief Executive Officer of OSK Investment Bank Berhad ("Bank") in compliance with regulatory requirements. On behalf of the Board of Directors, I would like to take this opportunity to thank him for his outstanding leadership and great contributions to the Group. During his 26-year tenure with the Group, Mr. Ong has achieved many successes and milestones, having transformed the Group from just a stockbroker to a universal broker, and to the regional investment bank it is today. I am pleased to welcome Mr. Ong's successor, Mr. U Chen Hock, to the Group. Mr. U brings with him extensive regional experience in the areas of corporate, commercial and consumer banking. I trust Mr. U will steer the Group towards achieving its vision of becoming an outstanding investment banking and financial services group in the region. Mr. Ong will remain on the Board of the Bank as a Non-Independent Non-Executive Director to provide continued guidance and advice to the Board, as well as the management in charting and implementing strategies for the Bank going forward.

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 efforts to ensure the continued growth and success of the Group. I strongly believe that our continued commitment and hard work will take the Group to greater heights in the coming years. I look forward to working with all stakeholders in building a stronger OSK.

Last but not least, I offer my sincere gratitude to Bank Negara Malaysia, 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

2010 ECONOMIC REVIEW

Growth Recovery from Global Economic Downturn

Malaysia recorded a 9.5% real GDP growth in H1 10 as the economy recovered from a contraction in light of the global financial crisis in 2008-2009. Nevertheless, slower external demand and the unwinding of fiscal stimulus around the globe have translated into growth moderation in H2 10 with growth tapering off to 5.1%. Overall, the Malaysian economy recorded a growth of 7.2% in 2010 (our forecast: 7.3% and 2009:-1.7%). Inflation was relatively low and stable at an average of 1.7% in 2010 following milder increment in fuel prices (altogether less than 10%) as compared to 2008's hike of around 40%. Bank Negara Malaysia has consequently paused their rate hiking streak since September this year at 2.75% and is likely to wait for firmer recovery in their export markets before resuming their monetary policy tightening this year.

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

Components	2009a	2010a	Q1 10	Q2 10	Q3 10	Q4 10	OSK 2011 F Latest
GDP	-1.7	7.2	10.1	8.9	5.3	4.8	5.8
Agriculture	0.4	4.4	6.8	2.4	2.7	-4.3	3.8
Mining	-3.8	1.3	2.1	1.1	-1.0	-1.3	1.5
Manufacturing	-9.0	11.1	17.0	16.0	7.5	6.2	6.0
Construction	5.7	3.9	8.7	4.1	2.8	5.6	2.3
Services	2.6	7.2	8.5	7.3	5.4	6.2	6.8
Private Consumption	0.7	6.4	5.1	7.9	7.1	6.5	5.0
Public Consumption	3.3	1.1	6.3	6.8	-10.2	-0.3	4.0
Gross Fixed Capital Formation	-5.2	8.6	5.4	12.9	9.8	9.2	10.0
Exports	-10.1	11.5	19.3	13.8	6.6	1.5	8.0
Imports	-12.1	16.2	27.5	21.9	11.0	3.3	9.0
CPI	0.7	1.7	1.3	1.6	1.9	2.2	2.5
Unemployment Rate	3.7	3.4	3.7	3.4	3.2	3.1	3.0

Source: MOF and OSK Research

2010 ECONOMIC REVIEW

2011 ECONOMIC OUTLOOK

Uneven Growth Profile

For 2011, the Malaysian government expects growth to continue strongly, albeit slower than 2010's growth, within the range of 5-6% with key sectors such as manufacturing and services expected to grow at 6.7% and 5.3% respectively. Our 2011 forecast is for growth to come in at 5.8% with manufacturing and services sector output are forecasted at 6.0% and 6.8% respectively. Inflation is expected to average around the 2-3% range in 2011, according to the 2011 budget statement while our forecast for inflation in 2011 remains unchanged at 2.5%. The key reasons for inflation to remain stable and relatively capped in our 2011 forecast are the lack of indication about the timing of fuel subsidy removal next year as well as the deferment of the implementation of the goods and services tax. On the policy rate front, we think that Bank Negara Malaysia is likely to resume their rate hikes in H2 11 (3.50% OPR by end 2011) for reasons below.

The weakness in Malaysian exports is most evident in H2 10 with its growth coming off significantly to around 7% (H1 10: 26.2%) amidst slowing external demand and Chinese tightening. Total exports grew 16.6% last year. External data, such as the OECD total composite leading indicators, have shown signs of moderation in recent months and are likely to continue in H1 11 and render slower export growth for Malaysia (forecast: 4.8%). The high base of exports in H1 last year would also play a part in the forecasted slowdown. However, our expectation of stronger US growth this year could lead to a faster recovery in Malaysian exports in H2 11. Furthermore, low base of exports in H2 10 would also give room for low double-digit export growth in H2 11. Also, our forecast of a slightly weaker ringgit could also benefit Malaysian exports. Overall, we forecast export to grow by 8.0% in 2011.

The Ringgit was 2010's best performer among the slew of Asian currencies, gaining 11.8% against the greenback amidst three OPR hikes last year on the back of strong H1 10 growth recovery and some relaxation of FX measures in August 10. Robust growth recovery and rate hikes have translated into higher capital inflows into Malaysian assets. Foreign holdings of Malaysian government securities have shot up tremendously from 18.3% in Jan 10 to 28.2% as of November 10 and lift the ringgit. We currently forecast the ringgit to reach 3.0300 by the end of 2011. However, the risk to our 2011 ringgit forecast could be double-sided depending on Malaysia's growth profile. Our forecast is for slower growth in H1 but some risks of stronger growth in H2 for the above reasons.

Budget 2011 (forecasted to register -5.4% of GDP) unveiled in October has vindicated our view that it will be supportive of domestic consumer spending and highlighted the government's strategy to reinvigorate private investment expenditure to support growth of the Malaysian economy going forward. This is consistent with our expectation that net exports contribution will diminish next year as overseas demand is likely to slow. With government spending also expected to taper off amidst fiscal consolidation, the economy is now more reliant on the other two engines to support growth, namely domestic consumption and fixed investment. We favour the idea of greater contribution from private fixed investment to sustain growth going forward as contribution from domestic consumer spending would give limited upside to growth potential (its overall share to GDP has reached more than 50% while its historical average was only around 48%). To achieve the desired 6.0% economic growth target as set in the 10th Malaysia Plan, we project that the country would need to beef up investment spending to reach around 4% point contribution (equivalent to an average of 17.0 - 18.0% yoy growth). One cautionary note to the Malaysian budget is that with slower growth expected in the next couple of years, the government target of bringing down the deficit to under 3% of GDP will be even tougher. This is especially so in light of recent announcement of further postponement in GST implementation that would mean no expansion in terms of government's tax base going forward. Secondly, the plan to reduce fuel subsidy was absent in Budget 2011.

2010 STOCK MARKET REVIEW

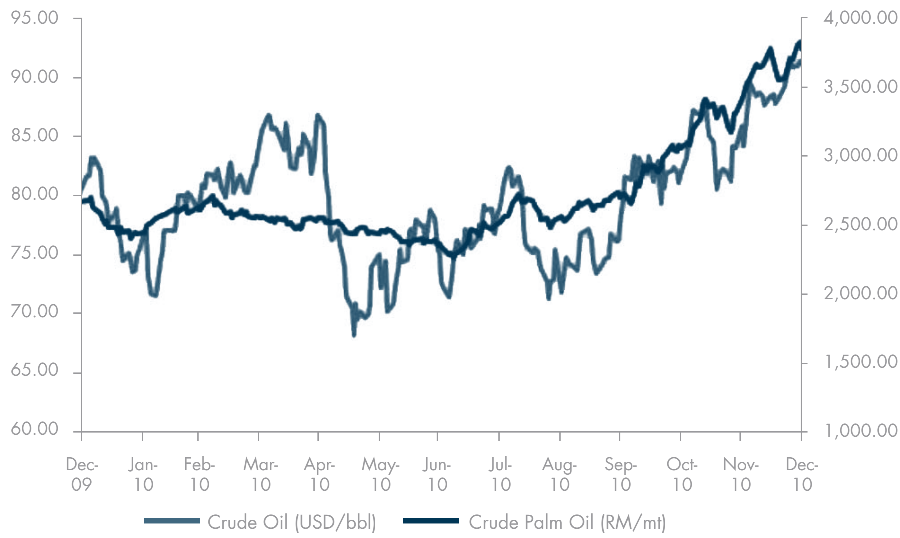
To New Heights

Just as in 2009, the KLCI started the year on a fragile note with fears of an European sovereign debt crisis escalating from budget deficits in Greece, Portugal and Spain leading to sharp falls across equity markets worldwide. At the same time, the Chinese government began its programme of fiscal tightening to prevent a property bubble in China and January was therefore largely a washout month. Only with Germany and France stating clearly their commitment to rescue their weaker European partners and a recommitment by the US Federal Reserve to keep interest rates low did global markets rebound in February. On the local front, there were some disappointments with regards to the economic reform effort as the proposed MyKad linked tiered fuel subsidy was scrapped and the second reading of the Goods and Services Tax (GST) bill was deferred. Still, foreign factors were the dominant drivers of the market which closed the 1Q higher by 3.8% at 1320.57pts versus the opening of 1272.78pts.

Table 1 : KLCI Performance 2010

While the second quarter actually saw the KLCI fall some 6.55 pts to 1314.02 pts, it was also a quarter which saw local factors start to dominate. While the first quarter was marked by fears surrounding the European debt crisis and this spilled over into April and May, in general, the economic reform activities and newsflow in Malaysia started to pick up pace from May onwards with the unveiling of the subsidy reduction programme by Pemandu. Global factors were still bearish with a unilateral action by Germany to prohibit speculation on European Government bonds sparking a sharp sell-off before a quick rebound. However, local factors generally tended to support the market with subsidy reform hinting of progress on the economic reform front and a minor cabinet reshuffling by the Prime Minister.

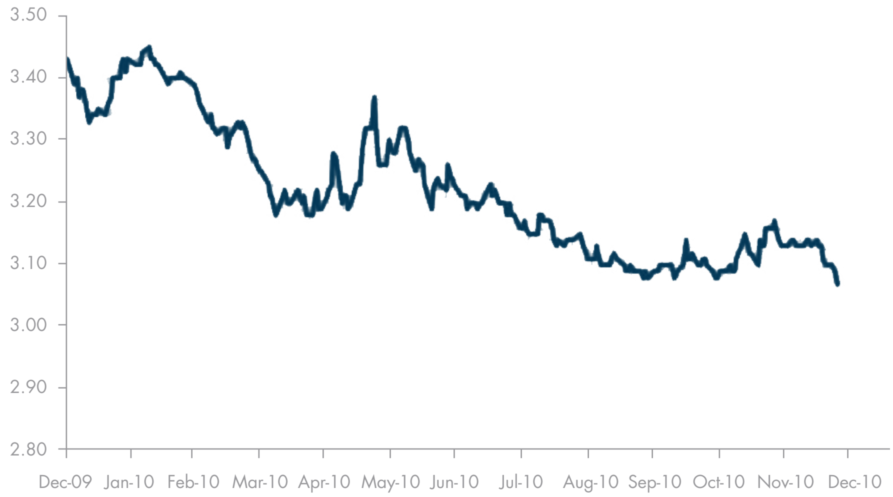
Table 2 : Crude Palm Oil and Crude Oil futures 2010



2010 STOCK MARKET REVIEW

The third quarter of 2010 saw more local market moving factors in the form of the Economic Transformation Programme (ETP), strong results from the local banks and a stronger Ringgit versus the USD. As a result, we saw the KLCI move up some 11.4% to 1463.5pts as the details of the ETP including the KL Mass Rapid Transit (MRT), the high speed rail between KL and Singapore and other infrastructure developments spurred interest in Malaysian equities. The stronger Ringgit also coincided with the buying of Malaysian domestic consumer stocks which helped lift not only the KLCI stocks but also the broader market. On the global front, the Basel III requirements for banks was less stringent than feared while the rally in both crude oil and Crude Palm Oil (CPO) prices began in August. Other commodities too saw prices rise towards or above their all time highs starting in the third quarter. Both Oil and CPO prices peaked towards the year end at USD91.51 per barrel and RM3820 per tonne respectively. The Ringgit too strengthened some 10.5% to reach its peak at the end of the year at RM3.07 versus the USD.

Table 3 : Ringgit performance vis-à-vis USD in 2010



The KLCI reached its peak in the 4Q of 1528.01pts in early November although it subsequently succumbed to a short round of profit taking as the USD600bn Quantitative Easing round 2 was announced in the US, Ireland was forced to accept a EUR85bn lifeline and tensions emerged on the Korean Peninsular with North Korea firing artillery shells at South Korea. November saw the start of a property sector rally as 3 major mergers were announced including UEM Land –Sunrise, Sunway – SunCity and MRCB – IJMLand although the last one did not go through eventually. December finished off with a bang as the US extended a number of tax cuts bringing about a Santa Claus rally and the Oil fever finally hit Malaysian oil & gas stocks after the listing of Petronas subsidiaries MMHE Holdings and Petronas Chemicals. The KLCI finished the year at 1518.91 pts having risen some 19.3%, a reasonable figure although not in the same league as 2009's 45.2% rebound.

Against its peers, the KLCI performed reasonably coming in as the 4th best performer in East Asia after Indonesia, the Philippines and Thailand. The laggard in Asia was China where the Shanghai bourse fell some 14%. Indonesia as the best performer rose 46% as foreign investors piled into the country while Thailand rose 41% despite the continued political tension in the country.

2011 Market Prospects

Running to the Elections

2011 started off with a bang with the KLCI rising to an all time high of 1574.49 pts in mid January. Having held off for December, we understand that some local funds started the year off with buy orders while foreign funds suddenly sat up and paid attention to Malaysia given our underperformance to our other South East Asian peers. Nonetheless, concerns over inflation in China and Indonesia and the consequential interest rate hikes took the wind out of the KLCI's sails and saw the index fall back to below 1500 briefly after the Chinese New Year. Since then, the market has rebounded above the 1500 level. While we were hoping for a strong 1Q in 2011 followed by a period of caution, the lacklustre performance year to date probably means that there is more upside to the KLCI in coming months. We are still expecting the market to chart higher levels towards our 1680 pts KLCI year end target.

MILESTONES AND EVENTS 2010

January

Launch of Asia Consumer Fund

OSK-UOB Unit Trust Management (OSK-UOB) launched the Asia Consumer Fund on 21 January 2010, aimed at achieving capital appreciation through investments in securities of Asian countries, excluding Japanese companies, whose businesses benefit from or are related to growth in consumer spending.

Singapore/Malaysia Corporate Day in Singapore

OSK Investment Bank and DMG & Partners Securities organised the inaugural Singapore/Malaysia Corporate Day in Singapore on 11 and 15 January 2010. The event featured 28 Singapore and 12 Malaysia small and mid-cap companies over 2 days, fulfilling over 500 one-on-one or small group meeting requests from 85 investors.

The Corporate Day is an investors' forum where the Group brings together fund managers and corporates from different countries for one-on-one/small group meetings. The objective of the Corporate Day is to provide an avenue for fund managers and corporates to interact and identify possible business opportunities.

In 2010, OSK Investment Bank, DMG & Partners Securities and PT OSK Nusadana Securities jointly organised a total of 9 corporate days in Kuala Lumpur, Singapore and Hong Kong, featuring over 150 small to large cap companies and attended by over 500 investors.

February

OSK Holdings Hong Kong opens new branch

OSK Securities Hong Kong Limited, a subsidiary of OSK Holdings Hong Kong Limited officially opened its Shum Shui Po branch office in Kowloon on 9 February 2010, making it OSK's third branch in Hong Kong.

OSK-UOB wins Lipper Fund Awards 2010

OSK-UOB's Smart Balanced Fund was rated as the Best Mixed Asset Fund over 5 years in the category of Mixed Asset MYR Balanced at the Lipper Fund Awards 2010.

March

Launch of China-India Dynamic Growth Fund

OSK-UOB introduced the China-India Dynamic Growth Fund into the Malaysian market on 15 March 2010, structured as a feeder fund that invests into the United China-India Dynamic Growth Fund, managed by UOB Asset Management and UTI International (Singapore) Private Limited.

April

OSK in Malaysia's Top 50 Brands

OSK Holdings Berhad was named as Malaysia's Top 50 brands based on an independent brand valuation conducted by Brand Finance, a leading independent brand and intangible asset valuation firm based in London. OSK Holdings was rated at AA, with a ranking position of 41.

Launch of the OSK Top Malaysian Small Cap Book: 50 Jewels

OSK Research launched the 6th edition of the OSK Top Malaysian Small Cap Book – 50 Jewels. The book features 50 of Bursa Malaysia's top small cap companies from a cross-section of industries and sectors. The companies have been screened based on a scorecard encompassing quantitative and qualitative parameters. For the 2010 edition, the Research team had also raised the market capitalisation threshold to RM1.5bn (USD440m) from RM1bn to maintain coverage depth and breadth and to ensure that the better small cap companies are represented.

The book was first launched to clients on 27 April 2010, where the Top 5 companies presented to some 70 fund managers, followed by the press launch one week later.

May

Tapping into China markets through Flexifund China Solutions

OSK-UOB's Flexifund China Solutions, launched on 11 May 2010, offers sophisticated investors the opportunity to tap into the Chinese equity and money market platforms which are traditionally limited to China nationals. This fund comprises two sub-funds: the OSK-UOB Flexifund Equity China "A" and OSK-UOB Flexifund Money Market RMB.

MILESTONES AND EVENTS 2010

August

OSK Investment Bank launches OSK Investment Challenge

OSK Investment Bank launched OSK Investment Challenge (Campus Edition), a virtual investing competition aimed to educate tertiary students on investing in the Malaysian Capital Market by providing them with the opportunity for real-life trading experience without the accompanying financial risk. More than 29, 000 participants from 592 campuses nationwide registered for the competition.

PT OSK Nusadana Asset Management launches New Equity Mutual Fund

The OSK Nusadana Alpha Sector Rotation fund offers a unique feature which combines distinctive quantitative and fundamental approaches to optimise returns in every stock market cycle in Indonesia.

Launch of Capital Protected World Mining Fund

OSK-UOB together with United Overseas Bank (Malaysia) launched the OSK-UOB Capital Protected World Mining Fund on 19 August 2010. The fund offers participation in the potential growth and recovery in prices of the hard commodities sector.

October

OSK Investment Bank adds new branches

OSK Investment Bank commenced business for its new Farlim, USJ Taipan and Kota Damansara branches on 16 July 2010, 3 May 2010 and 1 October 2010 respectively.

Launch of Capital Protected Asia Gaming & Hospitality Fund

The OSK-UOB Capital Protected Asia Gaming & Hospitality Fund introduced on 5 October 2010, offers investors an opportunity to capitalise on the expected growth of the gaming and hospitality sectors in the Asian region particularly in Macau and Singapore.

Launch of US Focus Equity Fund

The OSK-UOB US Focus Equity Fund was introduced on 15 October 2010, aimed at providing capital growth primarily through investment in equity securities of smaller and medium-sized US companies.

OSK awarded license to provide investment and share market services in Cambodia

OSK Indochina Securities Limited was granted a license by the Securities and Exchange Commission of Cambodia to undertake underwriting, dealing, stockbroking and investment advisory services.

OSK organises Invest Malaysia Hong Kong

OSK Investment Bank in partnership with Bursa Malaysia, co-organised the inaugural Invest Malaysia Hong Kong roadshow on 21 October 2010. Themed 'Powering Global Excellence', the roadshow brought together Malaysia's corporate champions, key regulators and policy makers to showcase how Malaysian companies are increasingly strengthening its regional footprint and gaining speed as an attractive investment destination in the region.

Senator Dato' Seri Idris Jala, Minister in the Prime Minister's Department and the CEO of the Performance Management and Delivery Unit (PEMANDU) presented the keynote address on the government transformation programmes which are designed to propel Malaysia towards becoming a developed, high income nation by 2020. Participating corporates included AirAsia, Axiata, Kencana Petroleum, KPJ, Kossan, Kulim, Malaysia Airports, MMC, Public Bank, QL Resources and Supermax.

November

OSK Indochina Bank expands into four provinces in Cambodia

OSK Indochina Bank Limited (OSKIBL) officially opened four new branches, one each in the province of Battambang, Kampong Cham, Preah Sihanouk and Siem Reap, bringing the number of OSKIBL locations to 9.

OSK's Fund Managers Conference draws focus to investment opportunities in Cambodia

OSK Investment Bank and the Securities and Exchange Commission of Cambodia jointly organised a Fund Managers Conference on 10-11 November 2010. The conference showcased the substantial economic progress in Cambodia, and highlighted the investment opportunities available in the Cambodian market, in anticipation of the launch of the Cambodia Securities Exchange. During the conference, 16 Cambodian companies/state-owned enterprises participated in 202 meetings with 33 investors from the region including Malaysia, Singapore, Indonesia and Vietnam.

OSK DMG Ranked Top Spot in Asiamoney Brokers Poll 2010

OSK-DMG emerged in the top ranks of the Asiamoney Poll 2010 in three categories. In both Malaysia and Singapore, OSK-DMG earned the top spot for Best Small Caps Research Coverage. In Singapore, OSK-DMG also obtained first position for Most Improved Brokerage and second Most Independent Research Brokerage. In Malaysia, OSK-DMG ranked second for Most Improved Brokerage and third in the Most Independent Research Brokerage poll.

CORPORATE SOCIAL RESPONSIBILITY

It has been the Group's corporate philosophy to fulfill the noble tradition of being socially responsible at all times as we pursue our corporate objectives. This encompasses its commitment to deliver profits to enhance shareholder value while at the same time make a positive social contribution to the immediate communities where it operates and to the wider business community of which it belongs.

As a leading financial institution with an expanding regional presence, OSK Group believes that good corporate social responsibility (CSR) is an indication of good management which is expected to deliver long term superior performance and signals better risk management capabilities. In the conduct of its business and the delivery of its CSR, the Group is creating value for all its stakeholders and enhancing its long-term sustainability.

CSR for the Marketplace

OSK is committed to the development of a dynamic and vibrant capital market and actively contributes to the nation's economic development through key initiatives.

Involvement in Malaysia's Economic Transformation Programme (ETP)
The Economic Transformation Programme (ETP) is a comprehensive effort that aims to transform Malaysia into a high-income nation by 2020. In line with the Government's vision for Malaysia, OSK was actively involved in the Financial Services National Key Economic Area (NKEA) Lab organised by PEMANDU (Performance Management and Delivery Unit within the Prime Minister's Department).

The NKEA labs ran from 1 June to 31 July 2010 with 500 participants from the public and private sectors. Lab members were asked to identify activities and projects which will collectively improve the Malaysian income level. The results and ideas from the 12 NKEA labs were then streamlined into 131 Entry Points Projects (EPP) and launched in October 2010 by the Prime Minister under the Economic Transformation Programme blueprint.

OSK Investment Challenge (OSKIC)
OSK Investment Bank (OSKIB) launched the inaugural OSK Investment Challenge (OSKIC), an online trading platform created for youths to experience real-life trading via a simulation of the capital market without the accompanying financial risk.

The findings of a survey conducted by Bursa Malaysia revealed a significant absence of investors from the 20 to 29 age group investing in the stock market. Only 12% of those between the ages of 20 to 29 invest in stocks, whereas, almost 60% of investors are 40 years of age and above. The OSKIC created an avenue to address the findings through an online trading competition (campus edition) held from 16 August to 1 October 2010 in Malaysia, which attracted a recruitment of more than 29,000 participants aged 18 to 30 from 592 campuses nationwide.

The high number of young participants was attributed to successful recruitment drives and workshops conducted at 30 campuses within the Klang Valley along with concerted online engagement effort via Facebook, Twitter and the OSKIC website (www.oskic.com). Throughout the competition, OSKIB and its partners supported participants with market analyses, discussion boards and constant news updates.

OSKIC's wide reach demonstrated the power of social media across a variety of channels which resulted in a following of more than 7,000 monthly active users on Facebook. Over the duration of the competition, more than 200,000 unique visitors to the OSKIC website generated 4 million page views.

In its ongoing effort to expose and educate the younger generation to the workings of online trading and capital markets, OSKIB plans to launch the OSKIC regionally, earlier than expected, beginning with Indonesia.

The OSK Investment Challenge Organising Committee with participants of the OSKIC (Campus Edition) 2010.

CORPORATE SOCIAL RESPONSIBILITY

1. *Team OSK at the MIBA Games march past.*

2. *OSK wins gold medal at MIBA Games 'Women's Long Jump'.*

Responsible Marketplace practices

The Group is accountable for the impact of its practices and policies in the marketplace through a strict code of business conduct and ethics by which the Group abides in all types of transactions and interactions. Key public communications in relation to corporate developments and financial reports contain disclosures that are fair, accurate and timely.

Business Sustainability

The Group has in place internally generated best practices to ensure the business sustainability of all its companies. This includes an established risk management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide Management. The Group sees risk management as a serious consideration to protect the company from risks that could fundamentally damage enterprise value.

Business Continuity

As part of its business sustainability, the Group also maintains a business continuity plan (BCP) which mobilises critical business functions in the event of business disruption caused by damage, natural disasters or calamities. The BCP also specifies how these critical functions are to be restored.

CSR for the Workplace

Building the future through education

OSK places strong emphasis on talent management and developing human capital. The Group is highly focused on retention and development and has in place structured development programmes designed to develop leadership skills, technical and soft skills among different groups of employees.

The Group offers various Programmes which include the Management Associate (MA) Programme, a 3-year programme for the business department begun since 2003; the Graduate Associate (GA) Programme, a 2-year programme for business support departments; and the Operations Associate (OA) Programme, a 2-year programme for back office support. These Programmes are designed to create a constant flow of leaders who, upon completing their training are ready to assume leadership positions in OSK. The MAs, GAs and OAs undergo classroom training, on-the-job familiarisation, training and coaching, and are placed in projects and learning assignments across different functional units to gain the necessary knowledge, skills, experience and an all round exposure in investment banking.

Employee Health

In encouraging health awareness among staff, the Group supported efforts by Merck, Sharp & Dohme (MSD) Malaysia to educate female staff on cervical cancer and preventive measures, and the National Kidney Foundation's NKF Lifecheck Mobile Health Screening to provide staff the opportunity for free health screening which included check up of blood pressure, blood glucose, blood cholesterol, urinalysis, body mass index calculation as well as counseling by NKF healthcare professionals.

The Group actively participates in the Malaysian Investment Banking Association (MIBA) Games, a yearly affair that started in 1984 to promote healthy competition and create fellowship amongst members of the investment bank fraternity in Malaysia. In 2010, OSK competed in several categories, which included badminton, pool, futsal, carrom, athletics and golf.

CORPORATE SOCIAL RESPONSIBILITY

Employee Welfare

The Group believes that a happy and contented work force will contribute their best towards the progress and performance of the organisation. Keeping staff interest in mind, OSK regularly reviews and improves employee benefits through the engagement of consultants. Medical benefits such as outpatient treatment at hospitals and clinics; insurance coverage for personal accidents, hospitalisation and surgery; and dental treatment are provided. The Group also provides financial loans for staff for the purchase of property, vehicles and further education. An employee satisfaction survey conducted yearly helps to gauge employee satisfaction and sentiments at the workplace.

CSR for the Community

In its responsibility to society and the community in which it operates, the Group especially cares for the well-being of the underprivileged not only financially but also in kind and towards the betterment of their health and education. The Group also supports charitable organisations in their noble efforts to help the needy and disadvantaged.

Caring for the underprivileged

In 2010, the staff of OSK Group reached out to several children's homes in the Klang Valley, including House of Joy in Puchong, Vivekenanda Ashram in Brickfields and Pertubuhan Pembela Miskin Tegar Malaysia (BELAMISKIN), an NGO in Shah Alam, fulfilling the Christmas gift wishes of the children, providing them with 'Back to School' needs and also donating dry provisions, canned food, powdered beverages, stationery, sandals, toys and clothes.

Apart from contributing in kind, the Group also organised a day out with the Shelter Home for Children in support of the Malaysian AIDS Council/Foundation and its efforts to raise awareness on AIDS and HIV. The children were treated to 'ADAM - The Musical', aimed at educating secondary school students on the realities surrounding social issues and HIV in Malaysia.

OSK also supported a fund raising project by RR Media, purchasing "Effective Model Business Letters", the proceeds of which were channeled to Pusat Jagaan Kanak-Kanak Kurang Upaya Kirtarsh (PJKKKUK), a public funded charity home that cares for underprivileged children who require special attention.

In support of MyKasih Foundation's aim to help less fortunate Malaysians through its programmes, OSK raised funds during the 'Malaysia-New Zealand Chamber of Commerce Gala Dinner 2010 on 25 September 2010.

1. *Director of Vivekananda Ashram receiving the 'back-to-school' supplies.*
2. *Caring for children from House of Joy.*
3. *BELAMISKIN receiving donated goods from OSK.*
4. *Teenage girls from Shelter Home for Children listening to a short briefing on Adam - The Musical by an OSK volunteer.*

CORPORATE SOCIAL RESPONSIBILITY

1. *OSKers make it to the finish line at the KL Rat Race 2010.*
2. *NKF officer explains health screening results to OSK staff.*
3. *OSKers do their bit to save lives.*

Caring for health awareness

The Group also participates actively to raise funds towards the promotion of health awareness and for charities which provide care for individuals who suffer from debilitating illness. OSK contributed towards Hospis Malaysia's Charity Treasure Hunt 2010, on 24 to 25 April 2010, for its efforts to provide professional palliative care to those living with life-limiting illness. OSK also raised funds for 20 charitable organisations in the The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2010 held on 3 August 2010. The Group sponsored three teams totaling 15 runners. The 2010 KL Rat Race brought 68 corporates together and raised RM1.752 million funds which are channeled through Yayasan Bursa Malaysia, the Community Foundation of Bursa Malaysia.

In being a responsible organisation, the Group also opens its doors to collaborate with the National Blood Bank in efforts to encourage more individuals to donate blood towards saving lives. OSK also contributed to raise funds for the National Kidney Foundation Malaysia to obtain a second unit of NKF LifeCheck Mobile Health Screening Unit to cater to the rising number of patients nationwide who are not able to afford treatment on their own.

OSK also contributed towards raising awareness on cancer, by participating in a 'Relay for Life', a campaign initiated by the Penang branch of the National Cancer Society of Malaysia. The campaign included a 16 hour 'relay' around the tracks of Penang Youth Park.

In efforts to educate and build public awareness of heart disease through its Educational Health Programmes and activities, OSK also contributed to Yayasan Jantung Malaysia (Heart Foundation Malaysia).

CORPORATE SOCIAL RESPONSIBILITY

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OSK also helped to raise funds for the Spastic Children's Association of Selangor & Federal Territory and the Taman Megah Handicapped and Disabled Children's Home through its active participation in RAM Holding's 'Race-A-Maze' on 13 November 2010. At the Standard Chartered KL Marathon Corporate Challenge on 27 June 2010, ten OSK staff volunteered to compete. The Group earmarked the contribution for the Malaysian Association for the Blind.

OSK reached out to support The Befrienders Kuala Lumpur in conjunction with their 40th Anniversary Charity Dinner on 7 August 2010, raising funds for its efforts to provide 24-hour free confidential emotional support for those who are suicidal, depressed or in despair and need a listening ear.

Nurturing future talents

The Group continues to support initiatives towards providing better education opportunities for the young, to enable them to be independent professionals and leaders in their chosen field.

OSK supported Monfort Training Centre in Sabah in their efforts to train and educate poor underprivileged youths and provide them with opportunities to improve themselves and build a brighter future. At the Centre, the youths undergo skilled-training programmes such as automobile mechanics, furniture making, welding and tailoring.

OSK contributed to the Tun Suffian Foundation's fund raising charity dinner on 7 August 2010 with proceeds going towards providing financial assistance to outstanding young Malaysians to pursue law studies at Cambridge and local universities.

1. *OSKers display their skills during RAM's Race-A-Maze.*

2. *OSK participants run for a cause at the Standard Chartered KL Marathon.*

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 include 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 41 to 46 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 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 and proprietary trading;
- inter-company loans and advances;
- corporate guarantees and other commitments;
- bank loans and private debt securities issuance; and
- 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 the Chairman and that of the 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 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.

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.

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

b) Composition of the Board (Cont'd)

The Board deems the current Board composition to be 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 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;
- major 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, seven (7) Board meetings were held. Details of the Directors' attendance are as follows:

	Directors	Attendance
1.	Dato' Nik Mohamed Din bin Datuk Nik Yusoff	7/7
2.	Ong Leong Huat	7/7
3.	Wong Chong Kim	6/7
4.	Dr. Ngo Get Ping	7/7
5.	Dato' Abdul Majit bin Ahmad Khan	7/7
6.	Foo San Kan	7/7

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 to attend all board meetings that has been scheduled for the following year.

STATEMENT ON CORPORATE GOVERNANCE

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

d) Board Meetings (Cont'd)

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 are 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 42 to 44 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 13 April 2011 are as stated in the Notice of the Twenty-First 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 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 41 to 42 of this Annual Report.

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 abstaining from deliberations and voting on his own remuneration.

There was no increase in the Directors' fees for the financial year ended 31 December 2010. 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 2010 would be tabled at the Twenty-First AGM for approval by the shareholders.

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

2010	**Non-Executive RM**	**Total RM**
Amount received/receivable from the Company:		
Fee – Provision for the year	**187,500**	**187,500**
Defined contribution plan	43,200	43,200
Salaries, bonuses and other emoluments	360,000	360,000
	403,200	**403,200**
Total	**590,700**	**590,700**
Amount received/receivable from the Group:		
Fee – Provision for the year	**652,554**	**652,554**
Defined contribution plan	619,800	619,800
Salaries, bonuses and other emoluments	5,165,000	5,165,000
	5,784,800	**5,784,800**
Benefits-in-kind	**72,148**	**72,148**
Total	**6,509,502**	**6,509,502**

The number of Directors of the Company whose total remuneration (excluding benefits-in-kind) fall within the following bands:

2010	**Non-Executive RM**	**Total RM**
Group		
RM 50,000 and below	1	1
RM150,001 up to RM200,000	2	2
RM600,001 up to RM650,000	1	1
RM1,300,001 up to RM1,350,000	1	1
RM4,100,001 up to RM4,150,000	1	1
	6	**6**

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. BNM Annual Report 2009 / Financial Stability and Payment Systems Report 2009 Briefing;
3. Performance Pays – the Report on Non Executive Directors Remuneration;
4. Economics and Capital Markets 1 : Forces Shaping Global Capital Markets;
5. Corporate Strategic Analytics 1 : Essentials of Corporate Proposal Analysis;
6. Getting Up Speed with the Governance;
7. Malaysian Banking Summit 2010;
8. Corporate Governance & Ethic;
9. Audit Committee Institute Roundatable Discussion Title - Going Forward : Risk & Reform - Implications for Audit Committee Oversight;
10. Briefing on GST;
11. Colloquium on Risk Management of Derivatives; What Directors and Senior Management Should Know;
12. Briefing on Derivative Investment;
13. Global Exchange Trend and Development; and
14. MIA Conference : Audit Report Responsibility.

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. 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.osk.com.my provides corporate information on the Group.

Mr. Woon Chong Boon, aged 43, is the Chief Operating Officer/Head of Corporate Strategy & Finance. 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 the Group 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.

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

i) Investors Relations (Cont'd)

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.

During the year, the Board adopted the following to enhance the Company's corporate governance practices :

- Code of Conduct for Officers and Employees;
- Code of Ethics for the Company's Director; and
- Code of Ethics for Company Secretaries

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 55 to 226 of this Annual Report.

b) Related Party Transactions

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

Details of these transactions are set out under the Additional Disclosure on page 53 and the Note 41 to Financial Statements on pages 156 to 160 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 affairs and regulatory compliance are as follows:-

<u>Internal Controls</u>

Mr. Lee Kah Kim, aged 59, 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.

STATEMENT ON CORPORATE GOVERNANCE

B. ACCOUNTABILITY AND AUDIT (CONT'D)

c) Internal Control (Cont'd)

Legal Affairs

Ms. Shanti Anne Sankey, aged 45, 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 the Group in August 2004. She has nearly 18 years of working experience in the legal and financial industry.

Risk Management

Ms. Grace Lim Wooi Teen, aged 49, a Malaysian, is the Director/Head of Risk Management. 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.

Prior to joining the Group, she has 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.

Compliance

Ms. Chin Pik Yuen, aged 46, a Malaysian, is the Senior Vice President/Head of Group Compliance. She is a Chartered Accountant by profession and a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants, the Institute of Internal Auditors and the Financial Planning Association Malaysia. She is also a Certified Financial Planner.

Ms. Chin brings to the Group over 23 years of working experience in the financial industry. She has held positions in various capacities, including business process and outsourcing, with specialization in audit, risk management and compliance.

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:

2010	**Group RM**	**Company RM**
Audit fees paid to external auditors	1,011,420	48,000
*Non-audit fees paid to external auditors	35,000	3,000

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

***Non-audit fees**	**Group RM**	**Company RM**
OSKIB - Review of abridged financial statements	7,000	-
OSKIB - Review of audited financial statements for Bank Negara Malaysia submission	11,000	-
OSKIB – Review of opening adjustment in relation to adoption of FRS139	14,000	-
OSKH - Review of statement of internal control	3,000	3,000

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

C. BOARD COMMITTEES

To help the Board in carrying out its responsibilities, it 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; and
- Executive Share Option Scheme Committee.

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

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 2010 are set out below.

a) Audit Committee

The Audit Committee comprises entirely of Non-Executive Directors, the majority of whom are Independent Directors, and 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 47 to 49 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

Members — Foo San Kan
Senior Independent Non-Executive Director

Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

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 to review the remuneration packages of the Directors, CEO and key senior management officers.

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.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

b) Remuneration Committee (Cont'd)

Functions and Duties (Cont'd)

(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;
- 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
Dato' Abdul Majit bin Ahmad Khan	1/1
Foo San Kan	1/1
Ong Leong Huat @ Wong Joo Hwa	1/1

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

- review and recommend the financial year 2009 bonus for the Chairman; and
- review and propose the Directors' fees for the year 2009.

c) Nominating Committee

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

Composition

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

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

Foo San Kan
Senior Independent Non-Executive Director

Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

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.

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

Functions and Duties

(I) Establish Minimum Requirements for the Board and CEO, if applicable;

- 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, if applicable; and
- The requirements and criteria shall be approved by the full Board.

(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, and 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 was one (1) meeting held during the financial year. The attendance of the members of Nominating Committee are as follows:-

Members	**Attendance**
Dr. Ngo Get Ping	1/1
Dato' Abdul Majit bin Ahmad Khan	1/1
Foo San Kan	1/1
Ong Leong Huat @ Wong Joo Hwa	1/1
Wong Chong Kim	1/1

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

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

- 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 Non-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 Non-Executive Directors and Independent Directors;
- to recommend to the Board of Directors the re-election of the Directors who will be retiring at the forthcoming Twenty-First Annual General Meeting of the Company;
- 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.

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.

C. BOARD COMMITTEES (CONT'D)

d) Risk Management Committee (Cont'd)

Functions and Duties (Cont'd)

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.

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

Composition

Chairman — Dato' Abdul Majit bin Ahmad Khan
Independent Non-Executive Director

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

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 on 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. BOARD COMMITTEES (CONT'D)

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

Functions and Duties (Cont'd)

(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 on 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 cased 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.

There were no meetings held during the financial year.

This Statement on Corporate Governance was tabled and approved by the Board of Directors of the Company on 3 March 2011.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2010.

MEMBERSHIP

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

Foo San Kan
Senior Independent Non-Executive Director

Dr Ngo Get Ping
Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2010, 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
Foo San Kan	4/4
Dr Ngo Get Ping	4/4
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 Directors, 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 as well as succession planning 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 Limited Reviewed Reports accompanying the Group's six months unaudited condensed financial statements performed by the external auditors;
2. Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval; and
3. 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.

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 is in place 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 Risk Management Committee of the Company plays a significant role in contributing to the establishment of a more conducive risk management environment. The 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, the wholly-owned subsidiary of the Company, to manage specific areas of risks are the Executive Committee, the Assets & Liabilities Committee, the Management Risk Committee, the Investment Committee, the IT Steering Committee, the Credit Lending Committee, the Human Resources 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 originating 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 adequate 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 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 ("OSK" or "the Company") Group's recurrent related party transactions made during the financial year ended 31 December 2010 pursuant to the shareholders' mandate obtained at the Twentieth Annual General Meeting are as follows:

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with OSK– Interested Directors, Major Shareholders and Persons Connected	Actual Value (RM)
OSK Group	Procurement of insurance policies by OSK Group	DCSB Group	OLH, WCK, KCM,WAC, OJY, OYS, OJX, OYC, OYM (See Note 1)	969,715
OSK Group	Annual fee, hosting fee, user access fee, website maintenance development and software development fee payable by OSK Group	Finexasia Group	OLH, WCK, KCM,OJY, OYS, OJX, OYC, OYM (See Note 2)	7,644,325
OSKIB	Institutional unit trust agent commission payable by OSK-UOB	OSK-UOB	OLH, WCK, KCM,OJY, OYS, OJX, OYC, OYM (See Note 3)	1,658,992

Notes:-

(1) Mr. Ong Leong Huat (OLH) and Mr. Wong Chong Kim (WCK) are the brothers of Mr. Wong Ah Chiew (WAC), who is a director and major shareholder of Dindings Consolidated Sdn. Bhd. ("DCSB"). Madam Khor Chai Moi (KCM) is a director and major shareholder of DCSB and the spouse of OLH. OLH is a director of OSK Holdings Berhad ("OSK"), OSK Investment Bank Berhad ("OSKIB") and a major shareholder of OSK while WCK is a director of OSK and Deputy Chief Executive Officer (DCEO) of OSKIB.

KCM is a shareholder of OSK and also deemed to have interest in OSK Shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965 ("the Act"). These other corporations are Pengerang Jaya Pte. Ltd. (PJPL) and PJ Equity Sdn. Bhd. (PESB).

Mr. Ong Ju Yan (OJY), Ms. Ong Yin Suen (OYS), Mr. Ong Ju Xing (OJX), Ms. Ong Yee Ching (OYC) and Ms. Ong Yee Min (OYM) are the children of OLH and KCM and also the shareholders of OSK.

The principal activities of the DCSB Group comprise of investment holdings, insurance and construction.

(2) Finexasia.com Sdn. Bhd. ("Finexasia") is a 40.05%-owned associate company of OSKIB which in turn is a wholly-owned subsidiary of OSK and a 59.95%-owned subsidiary of OSK Venture Equities Sdn. Bhd. ("OSKVE"), which in turn is a wholly-owned subsidiary of OSK Ventures International Berhad ("OSKVI").

OLH is a Director of OSK, OSKIB and OSKVI and also a Major Shareholder of OSK and OSKVI. He is the brother of WCK who is a director of OSK and DCEO of OSKIB.

KCM is the spouse of OLH. She is a shareholder of OSK and also deemed to have interest in OSK Shares held by other corporations by virtue of Section 6A(4) of the Act. These other corporations are PJPL and PESB.

OJY, OYS, OJX, OYC and OYM are the children of OLH and KCM and also the shareholders of OSK.

(3) OSK-UOB Unit Trust Management Berhad ("OSK-UOB") is a 70%-owned subsidiary of OSKIB which is a wholly-owned subsidiary of OSK. OLH is a director of OSK and OSKIB. OLH is also a major shareholder of OSK. He is the brother of WCK who is a director of OSK and DCEO of OSKIB. OYS is a director of OSK-UOB and the daughter of OLH.

KCM is the spouse of OLH. She is a shareholder of OSK and also deemed to have interest in OSK Shares held by other corporations by virtue of Section 6A(4) of the Act. These other corporations are PJPL and PESB.

OJY, OJX, OYC and OYM are the children of OLH and KCM and also the shareholders of OSK.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

There was no material contract entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2010.

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 2010.

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 2010.

STATEMENT ON REVALUATION POLICY

The Group does not revalue its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Property is as disclosed in Note 3(c) to the financial statements.

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 2010, 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.

FINANCIAL STATEMENTS

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 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiary and associated companies are described in Note 48 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:		
- Owners of the Company	117,612,592	44,482,120
- Minority interests	33,643,448	-
	151,256,040	**44,482,120**

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 5.0 sen per share less 25% income tax in respect of the preceding year ended 31 December 2009 was paid on 18 May 2010	35,134,789
(b)	An interim dividend of 2.5 sen per share less 25% income tax for the year ended 31 December 2010 was paid on 28 September 2010	17,575,257
		52,710,046

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 2010. 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 2011.

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
Foo San Kan
Dr. Ngo Get Ping
Dato' Abdul Majit bin Ahmad Khan

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 34 and 41(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 41(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 1.1.2010	**Acquired**	**Bonus Shares**	**Disposed**	**As at 31.12.2010**
Direct interest					
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,668,785	19,019~	3,417,196	(880,000)	16,225,000
Ong Leong Huat @ Wong Joo Hwa	191,177,012	46,979,893	47,794,253	-	285,951,158
Wong Chong Kim	1,125,327	-	281,331	-	1,406,658
Indirect interest					
Ong Leong Huat @ Wong Joo Hwa *	11,567,331	2,037,928	2,891,829	-	16,497,088
Wong Chong Kim * <	744,894	-	186,223	-	931,117

	Number of Warrant B 2000/2010			
	As at 1.1.2010	**Exercised**	**Expired on 1.3.2010**	**As at 31.12.2010**
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 *	1,630,358	(1,630,358)	-	-

The details of the Warrant B 2000/2010 are disclosed in Note 28(a) to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

(a) The Company (Cont'd)

	Number of options over ordinary shares of RM1.00 each			
	As at 1.1.2010	Granted	Exercised	As at 31.12.2010
Direct interest				
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 28(b).

~ 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.

(b) 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, as disclosed above and the wholly-owned subsidiary companies, are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
OSK-UOB Unit Trust Management Berhad	7,000,000	-	-	7,000,000

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
OSK-UOB Islamic Fund Management Berhad	5	5,879,995	-	5,880,000

	Number of ordinary shares/amount (SGD)			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
DMG & Partners Securities Pte Ltd	38,250,000	-	-	38,250,000

	Number of ordinary shares of HKD1 each			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
OSK Holdings Hong Kong Limited	162,000,000	25,000,000	-	187,000,000

	Number of ordinary shares of IDR1,000,000 each			
	As at 1.1.2010	Acquired	Disposed	As at 31.12.2010
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 28 to the financial statements.

The Company has not issued any debentures during the year.

EXECUTIVE SHARE OPTION SCHEME

The details of the ESOS are disclosed in Note 28(b) to the financial statements.

TREASURY SHARES

The details of the treasury shares are disclosed in Note 29 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for 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, other than those arising in the normal course of business of the Group and of the Company.

(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.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS

Significant events during the year are disclosed in Note 45 to the financial statements.

MATERIAL SUBSEQUENT EVENTS

Material subsequent events are disclosed in Note 46 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 23 February 2011.

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

Kuala Lumpur, Malaysia
23 February 2011

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 64 to 225 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 2010 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

The information set out in Note 57 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 February 2011.

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

Kuala Lumpur, Malaysia
23 February 2011

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

I, Wong Chong Kim, 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 64 to 226 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 Wong Chong Kim
at Kuala Lumpur in the Federal Territory
on 23 February 2011 **Wong Chong Kim**

Before me,

Kuala Lumpur, Malaysia
23 February 2011

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OSK Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 64 to 225.

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 Standard 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 2010 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 48 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) (CONT'D)

OTHER MATTERS

The supplementary information set out in Note 57 on page 226 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, 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

Gloria Goh Ewe Gim
No. 1685/04/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2011

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
ASSETS					
Cash and short term funds	5	1,552,880,474	1,611,188,906	4,306,265	5,848,390
Deposits and placements with banks and other financial institutions	6	-	50,000,000	-	-
Securities purchased under resale agreements	7	111,486,425	-	-	-
Securities portfolio					
- Securities held-for-trading	8(a)	648,995,875	203,664,331	23,843,733	25,595,725
- Securities held-to-maturity	8(b)	662,427,159	1,024,095,543	-	-
- Securities available-for-sale	8(c)	2,795,865,585	2,731,301,261	-	-
		4,107,288,619	3,959,061,135	23,843,733	25,595,725
Derivative financial assets	9	90,296,626	37,122,396	-	-
Loans, advances and financing	10	1,347,447,298	932,656,238	-	-
Tax recoverable		6,930,506	9,789,009	5,987,480	8,170,128
Trade receivables	11	2,043,920,708	2,648,332,975	-	-
Other assets	12	94,816,432	71,806,652	18,599,995	12,491,311
Statutory and reserve deposits with Central Banks	13	69,677,770	47,673,262	-	-
Deferred tax assets	14(a)	480,683	3,402,206	-	-
Investments in subsidiary companies	15	-	-	1,010,019,844	934,266,838
Investments in associated companies	16	21,146,255	20,368,532	-	-
Investment property	17	134,000,000	112,600,000	-	-
Prepaid land lease payments	18	-	-	-	-
Property and equipment	19	184,441,220	173,262,038	1,763	2,368
Intangible assets	20	223,888,498	209,853,692	38,255	16,273
TOTAL ASSETS		**9,988,701,514**	**9,887,117,041**	**1,062,797,335**	**986,391,033**

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 (CONT'D)

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
LIABILITIES					
Deposits from customers	21	3,872,805,125	4,355,696,546	-	-
Deposits and placements of banks and other financial institutions	22	669,768,656	174,222,487	-	-
Derivative financial liabilities	23	149,748,664	51,861,342	-	-
Trade payables	24	2,657,196,034	3,270,052,688	-	-
Other liabilities	25	209,423,132	175,409,698	65,422,872	75,292,450
Tax payable		23,877,728	30,198,351	-	-
Deferred tax liabilities	14(b)	1,812,339	1,022,893	685,930	766,441
Borrowings	26	410,619,104	216,966,400	4,434,500	29,434,500
Subordinated notes	27	300,000,000	100,000,000	-	-
TOTAL LIABILITIES		**8,295,250,782**	**8,375,430,405**	**70,543,302**	**105,493,391**
EQUITY					
Share capital	28	962,211,373	678,665,145	962,211,373	678,665,145
Less: Treasury shares	29	(29,785,136)	(29,781,821)	(29,785,136)	(29,781,821)
		932,426,237	648,883,324	932,426,237	648,883,324
Reserves	30	516,283,908	638,256,690	59,827,796	232,014,318
Equity attributable to owners of the Company		1,448,710,145	1,287,140,014	992,254,033	880,897,642
Minority interests		244,740,587	224,546,622	-	-
TOTAL EQUITY		**1,693,450,732**	**1,511,686,636**	**992,254,033**	**880,897,642**
TOTAL LIABILITIES AND EQUITY		**9,988,701,514**	**9,887,117,041**	**1,062,797,335**	**986,391,033**

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Revenue		**1,012,206,096**	**820,368,493**	**50,200,789**	**20,394,639**
Interest income	31	262,335,390	226,659,985	1,391,189	220,848
Interest expense	32	(140,542,267)	(122,925,636)	(2,437,983)	(3,974,721)
Net interest income/(expense)		121,793,123	103,734,349	(1,046,794)	(3,753,873)
Net income from Islamic banking operations	52	6,085,128	5,533,024	-	-
Other operating income	33	744,878,463	574,682,371	58,948,475	20,173,791
Other operating expenses	34	(626,281,742)	(494,278,731)	(1,773,611)	(2,151,758)
(Allowance for)/write back of impaired loans, advances and financing	35	(6,691,495)	3,288,220	-	-
(Allowance for)/write back of impaired trade and other receivables	36	(1,327,207)	1,477,711	-	-
(Allowance for)/write back of impairment losses on investments	37	(46,507,830)	7,682,162	-	-
Share of results after tax of associated companies		3,023,223	(11,097,053)	-	-
Profit before tax		**194,971,663**	**191,022,053**	**56,128,070**	**14,268,160**
Income tax expense and zakat	38	(43,715,623)	(53,896,142)	(11,645,950)	(5,480,463)
Profit after tax for the year		**151,256,040**	**137,125,911**	**44,482,120**	**8,787,697**
Profit attributable to:					
Owners of the Company		117,612,592	112,628,540	44,482,120	8,787,697
Minority interests		33,643,448	24,497,371	-	-
		151,256,040	**137,125,911**	**44,482,120**	**8,787,697**
Earnings per share attributable to owners of the Company (sen)					
Basic	39(a)	12.78	13.88		
Diluted	39(b)	12.74	13.52		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Profit after tax for the year	**151,256,040**	**137,125,911**	**44,482,120**	**8,787,697**
Other comprehensive (loss)/ income				
Foreign currency translation (loss)/gain	(34,387,620)	16,877,977	-	-
Reversal of available-for-sale deficit upon impairment	3,390,749	-	-	-
Reversal of available-for-sale gain upon disposal	(16,025)	-	-	-
Unrealised net gain on revaluation of securities available-for-sale	4,254,104	11,233,180	-	-
Share of other comprehensive income of associated companies	-	1,087,001	-	-
Income tax relating to components of other comprehensive income	(1,907,207)	(2,808,295)	-	-
Other comprehensive (loss)/ income for the year, net of tax	**(28,665,999)**	**26,389,863**	**-**	**-**
Total comprehensive income for the year, net of tax	**122,590,041**	**163,515,774**	**44,482,120**	**8,787,697**
Total comprehensive income attributable to:				
Owners of the Company	96,072,553	128,241,250	44,482,120	8,787,697
Minority interests	26,517,488	35,274,524	-	-
	122,590,041	**163,515,774**	**44,482,120**	**8,787,697**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Group

	Attributable to owners of the Company									Minority interests	Total equity
	Share capital (Note 28)	Treasury shares (Note 29)	Share premium (Note 30)	Equity compen-sation reserve (Note 30)	Foreign exchange reserve (Note 30)	Statutory reserve (Note 30)	Available -for-sale reserve (Note 30)	Retained profits (Note 30)	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2010											
As previously stated	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
Effects of adoption of FRS 139	-	-	-	-	-	-	1,858,034	(3,324,633)	(1,466,599)	-	(1,466,599)
As restated	678,665,145	(29,781,821)	501,591	1,093,893	6,615,746	206,077,717	(7,166,290)	429,667,434	1,285,673,415	224,546,622	1,510,220,037
Total comprehensive (loss)/income	-	-	-	-	(27,267,596)	-	5,727,557	117,612,592	96,072,553	26,517,488	122,590,041
Dividends (Note 40)	-	-	-	-	-	-	-	(52,710,046)	(52,710,046)	-	(52,710,046)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	(8,699,262)	(8,699,262)
Share issued pursuant to:											
- conversion of Warrant B 2000/2010 [Note 28(a)]	116,324,264	-	803,583	-	-	-	-	-	117,127,847	-	117,127,847
- exercise of ESOS [Note 28(b)]	2,549,500	-	30,090	-	-	-	-	-	2,579,590	-	2,579,590
- bonus issue [Note 28(c)]	164,672,464	-	(1,335,264)	-	-	-	-	(163,337,200)	-	-	-
Share buybacks by the Company	-	(3,315)	-	-	-	-	-	-	(3,315)	-	(3,315)
Reserve realised upon exercise of ESOS	-	-	-	(314,972)	-	-	-	314,972	-	-	-
Reserve arising from subscription of additional shares in subsidiary company	-	-	-	-	-	-	-	(29,899)	(29,899)	29,899	-
Acquisition of shares from minoritiy interests	-	-	-	-	-	-	-	-	-	(1,254,157)	(1,254,157)
Subscription of additional shares in subsidiary company by minority interests	-	-	-	-	-	-	-	-	-	3,599,997	3,599,997
Transfer to statutory reserve	-	-	-	-	-	22,914,070	-	(22,914,070)	-	-	-
Total transactions	283,546,228	(3,315)	(501,591)	(314,972)	-	22,914,070	-	(238,676,243)	66,964,177	(6,323,523)	60,640,654
At 31 December 2010	**962,211,373**	**(29,785,136)**	**-**	**778,921**	**(20,651,850)**	**228,991,787**	**(1,438,733)**	**308,603,783**	**1,448,710,145**	**244,740,587**	**1,693,450,732**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

Group

	Attributable to owners of the Company											Minority interests	Total equity
	Share capital (Note 28)	Treasury shares (Note 29)	Share premium (Note 30)	Capital redemption reserve (Note 30)	Equity compen-sation reserve (Note 30)	Foreign exchange reserve (Note 30)	Statutory reserve (Note 30)	Available -for-sale reserve (Note 30)	Others reserve (Note 30)	Retained profits (Note 30)	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2009	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
Total comprehensive income	-	-	-	-	-	7,376,259	-	7,507,682	78,926	113,278,383	128,241,250	35,274,524	163,515,774
Dividends (Note 40)	-	-	-	-	-	-	-	-	-	(24,335,059)	(24,335,059)	-	(24,335,059)
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	-	(8,912,129)	(8,912,129)
Share issued pursuant to:													
- conversion of Warrant B 2000/2010 [Note 28(a)]	1,605,806	-	401,452	-	-	-	-	-	-	-	2,007,258	-	2,007,258
- exercise of ESOS [Note 28(b)]	3,990,400	-	100,848	-	-	-	-	-	-	-	4,091,248	-	4,091,248
Share buybacks by:													
- the Company	-	(2,965)	-	-	-	-	-	-	-	-	(2,965)	-	(2,965)
- a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(1,678)	(1,678)
Share issue expenses	-	-	(709)	-	-	-	-	-	-	-	(709)	-	(709)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(658,377)	-	-	-	-	658,377	-	-	-
Reserve arising from share buyback by a subsidiary company	-	-	-	-	-	-	-	-	45	-	45	-	45
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)	-	-	-
Total transactions	5,596,206	(2,965)	501,591	(58,919,600)	(870,040)	-	41,948,605	(1,418,719)	(34,764,592)	(173,572,512)	(221,502,026)	(109,711,027)	(331,213,053)
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**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

Company

		Distributable	Non-distributable		Distributable	
	Share capital (Note 28)	Treasury shares (Note 29)	Share premium (Note 30)	Equity compensation reserve (Note 30)	Retained profits (Note 30)	Total
	RM	RM	RM	RM	RM	RM
At 1 January 2010						
As previously stated	678,665,145	(29,781,821)	501,591	1,093,893	230,418,834	880,897,642
Effects of adoption of FRS 139	-	-	-	-	(119,805)	(119,805)
As restated	678,665,145	(29,781,821)	501,591	1,093,893	230,299,029	880,777,837
Total comprehensive income	-	-	-	-	44,482,120	44,482,120
Dividends (Note 40)	-	-	-	-	(52,710,046)	(52,710,046)
Share issued pursuant to:						
- conversion of Warrant B 2000/2010 [Note 28(a)]	116,324,264	-	803,583	-	-	117,127,847
- exercise of ESOS [Note 28(b)]	2,549,500	-	30,090	-	-	2,579,590
- bonus issue [Note 28(c)]	164,672,464	-	(1,335,264)	-	(163,337,200)	-
Share buybacks by the Company	-	(3,315)	-	-	-	(3,315)
Reserve realised upon exercise of ESOS	-	-	-	(314,972)	314,972	-
Total transactions	283,546,228	(3,315)	(501,591)	(314,972)	(215,732,274)	66,994,076
At 31 December 2010	**962,211,373**	**(29,785,136)**	**-**	**778,921**	**59,048,875**	**992,254,033**

		Distributable	Non-distributable			Distributable	
	Share capital (Note 28)	Treasury shares (Note 29)	Share premium (Note 30)	Capital redemption reserve (Note 30)	Equity compensation reserve (Note 30)	Retained profits (Note 30)	Total
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2009	673,068,939	(29,778,856)	-	58,919,600	1,752,270	304,205,580	1,008,167,533
Total comprehensive income	-	-	-	-	-	8,787,697	8,787,697
Dividends (Note 40)	-	-	-	-	-	(24,335,059)	(24,335,059)
Share issued pursuant to:							
- conversion of Warrant B 2000/2010 [Note 28(a)]	1,605,806	-	401,452	-	-	-	2,007,258
- exercise of ESOS [Note 28(b)]	3,990,400	-	100,848	-	-	-	4,091,248
Share buybacks by the Company	-	(2,965)	-	-	-	-	(2,965)
Share issue expenses	-	-	(709)	-	-	-	(709)
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)
Total transactions	5,596,206	(2,965)	501,591	(58,919,600)	(658,377)	(82,574,443)	(136,057,588)
At 31 December 2009	**678,665,145**	**(29,781,821)**	**501,591**	**-**	**1,093,893**	**230,418,834**	**880,897,642**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		194,971,663	191,022,053	56,128,070	14,268,160
Adjustments for:					
Interest income		(28,274,443)	(24,993,751)	(1,171,698)	-
Interest expense		8,522,052	7,995,353	2,437,983	3,974,721
Loss/(gain) on disposal of:					
- quoted shares in an associated company	33(b)	-	2,676,352	-	-
- unquoted shares in an associated company	33(b)	-	-	-	(6,577,105)
- unquoted subsidiary company	33(b)	-	-	-	2,258,937
Gross dividend income	33(c)	(2,360,871)	(2,774,269)	(47,628,381)	(14,848,949)
Unrealised (gain)/loss on:					
- revaluation of securities HFT	33(d)	(694,219)	(2,626,424)	766,677	(716,739)
- revaluation of derivative financial instruments	33(d)	73,466,545	17,207,607	-	(11,165)
- foreign exchange	33(f)	(21,306,002)	(5,263,504)	-	(159,170)
Gain on revaluation of an investment property	33(g)	(21,400,000)	-	-	-
Net gain on disposal of property and equipment	33(g)	(518,459)	(242,619)	-	-
Negative goodwill on share buy back by a subsidiary company	33(g)	-	(902)	-	-
Depreciation and amortisation	34(c)	16,888,984	14,976,623	605	605
Property and equipment written off	34	502,627	155,868	-	-
Provision for interest cost for legal suits		470,257	-	-	-
Allowance for/(write back of) impairment losses (net):					
- receivables		1,392,576	(420,172)	-	-
- loans, advances and financing		6,234,847	(1,572,891)	-	-
Bad debts written off	35,36	837,312	490,689	-	-
Allowance for/(write back of) impairment losses on investments	37	46,507,830	(7,682,162)	-	-
Financial guarantee income capitalised as investments in subsidiary companies		-	-	(10,138,875)	-
Transfer to profit equalisation reserves		237,000	669,000	-	-
Share of results after tax of associated companies		(3,023,223)	11,097,053	-	-
Operating profit/(loss) before working capital changes		272,454,476	200,713,904	394,381	(1,810,705)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
(Increase)/Decrease in operating assets:					
Cash held in segregated accounts		(103,790,703)	(260,976,595)	-	-
Deposits and placements with banks and other financial institutions		50,000,000	26,046,983	-	-
Securities purchased under resale agreements		(111,116,704)	-	-	-
Securities available-for-sale		(73,519,470)	(1,476,033,957)	-	-
Securities held-for-trading		(445,109,886)	(155,579,764)	985,316	(19,417,392)
Securities held-to-maturity		360,300,821	(394,601,573)	-	-
Derivative financial assets		(27,300,406)	(43,376,195)	-	-
Loans, advances and financing		(483,786,670)	26,587,677	-	-
Trade and other receivables		569,734,970	(1,938,228,774)	(3,420,095)	(81,189)
Security deposits		(3,434,535)	(1,543,708)	-	-
Amounts due from subsidiary companies		-	-	(10,160,784)	18,432,427
Statutory and reserve deposits with Central Banks		(22,004,508)	33,160,741	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		(482,891,421)	1,985,063,766	-	-
Deposits and placements of banks and other financial institutions		495,546,170	(273,692,887)	-	-
Obligations on securities sold under repurchase agreements		-	(248,511)	-	-
Derivative financial liabilities		33,091,684	39,635,518	-	-
Trade and other payables		(420,174,051)	2,130,408,443	7,016	(20,872)
Amounts due to:					
- associated companies		(510,345)	(2,320,091)	-	-
- subsidiary companies		-	-	(17,499,388)	24,000,758
Cash (used in)/generated from operations		(392,510,578)	(104,985,023)	(29,693,554)	21,103,027
Income tax paid		(46,861,858)	(19,249,871)	-	(1,168)
Refund of income tax		2,345,198	529,258	2,345,198	-
Net cash (used in)/generated from operating activities		**(437,027,238)**	**(123,705,636)**	**(27,348,356)**	**21,101,859**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of additional investment in:					
- existing subsidiary companies		(1,254,157)	-	(51,300,000)	(7,996,930)
- associated companies		-	(1,470,000)	-	-
Dividend received		4,354,085	2,761,574	35,760,826	11,157,487
Interest received		134,952	593,862	-	-
Payment for trademarks		(21,982)	(9,131)	(21,982)	(9,131)
Payment for licences related		(6,228,500)	-	-	-
Proceeds from disposals of:					
- property and equipment		2,673,890	590,627	-	-
- unquoted subsidiary company		-	-	-	2,241,063
- shares in associated companies		-	-	-	7,777,105
Capital repayment from a subsidiary company in Members' Voluntary Liquidation		-	-	-	80,000
Purchase of:					
- property and equipment		(30,312,609)	(13,915,713)	-	-
- software licences		(10,564,736)	(3,157,706)	-	-
Net cash outflow of shares distribution of a listed subsidiary company		-	(36,228,352)	-	-
Net cash (used in)/generated from investing activities		**(41,219,057)**	**(50,834,839)**	**(15,561,156)**	**13,249,594**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONT'D)

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM**	**RM**	**RM**	**RM**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- minority interests		(8,699,262)	(8,912,129)	-	-
- shareholders	40	(52,710,046)	(24,335,059)	(52,710,046)	(24,335,059)
Net drawdown of revolving credits		121,644,704	27,131,900	-	-
Interest paid		(8,522,052)	(7,995,353)	(626,689)	(5,705,896)
Repayment of term loans		(25,000,000)	(17,231,000)	(25,000,000)	(17,231,000)
Repayment of finance lease payables		-	(507,560)	-	-
Share buybacks by:					
- the Company	29	(3,315)	(2,965)	(3,315)	(2,965)
- a subsidiary company		-	(731)	-	-
Proceeds from issuance of:					
- subordinated notes		200,000,000	-	-	-
- shares pursuant to:					
- conversion of Warrant B 2000/2010	28(a)	117,127,847	2,007,258	117,127,847	2,007,258
- exercise of ESOS	28(b)	2,579,590	4,091,248	2,579,590	4,091,248
Proceeds from subscription of shares by minority interests		3,599,997	-	-	-
Share issue expenses	30(a)	-	(709)	-	(709)
Net cash generated from/ (used in) financing activities		**350,017,463**	**(25,755,100)**	**41,367,387**	**(41,177,123)**
Net decrease in cash and cash equivalents		(128,228,832)	(200,295,575)	(1,542,125)	(6,825,670)
Effects of exchange rate changes		(33,870,303)	16,143,505	-	-
Cash and cash equivalents at beginning of year		826,578,311	1,010,730,381	5,848,390	12,674,060
Cash and cash equivalents at end of year		**664,479,176**	**826,578,311**	**4,306,265**	**5,848,390**
Cash and cash equivalents at end of year comprised:					
Cash, bank balances and deposits					
- General accounts	5(a)	358,602,426	254,818,869	4,306,265	5,848,390
Money at call and deposits placements with maturities within one month	5(c)	305,876,750	571,759,442	-	-
		664,479,176	**826,578,311**	**4,306,265**	**5,848,390**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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 48 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 23 February 2011.

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, securities available-for-sale and derivative financial assets and liabilities 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 Bank Negara Malaysia Guidelines.

(b) FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") issued and effective for the current financial year

The significant accounting policies and methods of computation adopted by the Group are consistent with those of the annual financial statements for the year ended 31 December 2009 except for the adoption of the following FRSs, amendments to FRSs, Issues Committee ("IC") Interpretations, Technical Releases ("TR") and Statement of Principles ("SOP") which effective for annual periods beginning on and after these dates as shown below:

1 July 2009

FRS 8	Operating Segments

1 January 2010

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued operations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statements of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events After the Reporting Period
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 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 and effective for the current financial year (Cont'd)

1 January 2010 (Cont'd)

Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 132	Financial Instruments: Presentation - paragraphs 95A, 97AA and 97AB
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
SOP i-1	Financial Reporting from an Islamic Perspective

FRS 4, Amendments to FRS 120 and FRS 129 and IC Interpretations 13 and 14 are not applicable to the Group and to the Company. The adoption of other FRSs, amendments to FRSs, IC Interpretations, TR and SOP did not have any significant effect on the financial performance or position of the Group and to the Company. The adoption of FRSs and amendments to FRS are discussed below:

(i) FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 44 to the financial statements.

(ii) FRS 7 Financial Instruments: Disclosures

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

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

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 and effective for the current financial year (Cont'd)

(iii) FRS 101 Presentation of Financial Statements (Revised)

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

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (Note 54).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

(iv) FRS 139 Financial Instruments: Recognition and Measurement and BNM guidelines on Classification and Impairment Provisions for Loans/Financing

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

Prior to the adoption of FRS 139 and with effect from 1 January 2008, the Group had adopted BNM/GP8 that comprised certain principles for recognising and measuring financial instruments, which are similar to those prescribed under FRS 139, effective for period beginning on or after 1 January 2010.

BNM also issued the guidelines on Classification and Impairment Provisions for Loans/Financing which are effective for financial years beginning on and after 1 January 2010. The guidelines set out the minimum requirements on classification of impaired loans/financing and provisioning for loans/financing impairment with the adoption of FRS 139. The guidelines superseded the existing guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3) which was issued on 7 August 2008.

As a transitional provisions under the Amendments to FRS 139, the financial services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. During the transitional period, the wholly-owned banking subsidiary, OSK Investment Bank Berhad ("OSKIB") is required to comply with the requirements on collective assessment of impairment of loans and financing under the guidelines on Classification and Impairment Provisions for Loans/Financing. OSKIB is required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. The Group had also extended the 1.5% collective impairment provisions to OSK Capital Sdn. Bhd., a capital financing subsidiary company in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 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 and effective for the current financial year (Cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement and BNM guidelines on Classification and Impairment Provisions for Loans/Financing (Cont'd)

The details of other changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Equity instruments

  Prior to adoption of FRS 139, the Group and the Company had classified its investments in equity instruments as securities HFT or securities AFS, in accordance with the requirements of BNM/GP8. On the adoption of FRS 139, the Group and the Company had remeasured these instruments at bid prices as required by FRS 139, instead of last traded prices, and the difference for securities HFT and securities AFS were adjusted to the retained profits or available-for-sale reserves on 1 January 2010, respectively.

- Debt securities

  Prior to adoption of FRS 139, the Group and the Company had classified its investments in debt securities as securities HFT, securities AFS or securities HTM, in accordance with the requirements of BNM/GP8. On the adoption of FRS 139, the Group and the Company had remeasured these instruments at bid prices as required by FRS 139, instead of at mid prices for certain debt securities, and the difference for securities HFT and securities AFS were adjusted to the retained profits or available-for-sale reserves on 1 January 2010, respectively.

- Impairment of loan and receivables

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

- Financial guarantee contracts

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

- Intercompany loans

  During the current and prior years, the Company granted interest-free loans and advances to its subsidiary companies. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances are stated at amortised cost. As at 1 January 2010, the Company had restructured the advances to a shareholder's loan to subsidiary companies. In accordance with the terms of shareholder's loan as disclosed in Note 15, the amount is classified as investments in subsidiary companies and is recorded at cost less impairment losses.

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 and effective for the current financial year (Cont'd)

(iv) FRS 139 Financial Instruments: Recognition and Measurement and BNM guidelines on Classification and Impairment Provisions for Loans/Financing (Cont'd)

FRS 139 requires that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. The securities held-to-maturity of the Group had been measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005 and interest income from loans and receivables continued to be recognised based on contractual interest rates. With adoption of FRS 139, interest income is recognised using effective interest rates. This change in accounting policy has been accounted for prospectively.

Prior to adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Subsequently, interest on the non-performing loan is recognised as income on a cash basis. FRS 139 requires interest income from a non-performing loan be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

FRS 139 requires embedded derivatives to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured. There were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

(v) Amendments to FRS 117 – Prior to 1 January 2010, FRS 117 requires all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

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

At 31.12.2009	As previously reported RM'000	Effect of amendments to FRS 117 RM'000	As Restated RM'000
Prepaid land lease payments	11,903	(11,903)	-
Property and equipment	161,359	11,903	173,262

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

(c) FRSs, Amendments to FRSs, IC Interpretations issued but not yet effective

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

FRS, 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 (Revised)	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3	Business Combinations	1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued operations	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 July 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2011
Amendments to FRS 101	Presentation of Financial Statements	1 January 2011
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128	Investments in Associates	1 January 2011
Amendments to FRS 131	Interests in Joint Ventures	1 January 2011
Amendments to FRS 132	Classification of Rights Issues	1 March 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2011
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
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
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendments to IC Interpretation 13	Customer Loyalty Programmes	1 January 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
TR 3	Guidance on Disclosures of Transition to IFRSs	1 January 2011
TR i-4	Shariah Compliant Sale Contracts	1 January 2011

Except for the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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

(d) 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.

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.

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 securities held-for-trading ("HFT"), securities held-to-maturity ("HTM") or securities available-for-sale ("AFS")

Management adopts the following judgements in classification of its investments:

1) Securities HFT

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

During the prior years, OSKIB reclassified certain investments that were previously classified as Securities HFT to Securities AFS and certain Securities AFS to HTM as further diclosed in Note 53 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

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

(i) Judgements (Cont'd)

Non-consolidation of unit trust in which a subsidiary company has a majority holding

OSKIB holds 64% of units issued by OSK Nusadana Alpha Sector Rotation ("the Fund"), an open ended Fund launched by its Indonesian indirect subsidiary company, PT OSK Nusadana Asset Management that is available for sale to public investors. IC Interpretation 112 Consolidation - Special Purpose Entities requires entities to consider whether the substance of the relationship between the entity and any special purpose entities ("SPE") indicates that the SPE is controlled by the entity and to be consolidated in accordance with FRS 127 Consolidated and Separate Financial Statements.

The activities of the Fund are not conducted on behalf of OSKIB according to its specific business needs so that OSKIB obtains benefits from the Fund's operations. OSKIB even as one of the investors with majority stake, does not have the power to unilaterally dissolve the fund, change nor veto to proposed changes to the Fund's trust deed or prospectus. OSKIB also does not enjoy any preferential benefits as compared to other investors of the Fund, including not having the right to declare any distribution or repayment of capital. The Directors conclude that OSKIB does not have control over the Fund and hence accounts for it as securities available-for-sale.

(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 reporting 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 2010 are discussed below:

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 20 to the financial statements.

Fair value estimation of unquoted investment

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 reporting date, including reference to Bond Pricing Agency 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 impairment losses

The Group and the Company review its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans, and the estimation of realisation amount and timing of future cash flows from the doubtful loans when determining the level of impairment loss required.

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

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

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

Allowance for impairment losses (Cont'd)

The Group and the Company have adopted certain criteria in the identification of impaired loans, which include classifying loans as impaired 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. Individual impairment assessment 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 individual impairment allowances made, the Group also make collective impairment allowance in accordance with BNM/GP3 transitional provision at 1.5% against exposure not specifically identified based on a certain percentage of gross loans, advances and financing less individual impairment allowance. Such estimates are based on assumptions from a number of factors and actual results may differ, resulting in future changes to the allowance.

Impairment of securities AFS and securities HTM

The Group reviews its debt securities classified as securities AFS and securities HTM at least on a quarterly basis to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loan and advances. These estimates are based on assumptions about 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 2010. 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. However, a range of reasonable fair values was determined by the directors with reference to current rental yield of the property as well as indicative value obtained from an independent valuer. As the carrying value of the investment property fell within the range of fair values determined above, no adjustment had been made to the carrying value of the investment property in the previous financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

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

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

Expected duration of subordinated notes with callable feature for the purpose of measuring financial cost under the effective interest rate method

As disclosed in Note 27 to the financial statements, subordinated notes of OSKIB have callable dates that are earlier than their respective maturity dates. In accordance with the terms of the subordinated notes, coupon interest rate before the respective callable dates are lower as compared to those after the callable dates until the maturity dates. FRS 139 requires finance costs of borrowings to be allocated over the expected duration using the effective interest rate method, which is a constant rate of return over the expected duration of the subordinated notes.

For the purpose of allocating interest expense of the subordinated notes over the expected duration of the borrowings for the current financial year, the expected duration of the subordinated notes is until the callable date at the lower coupon interest rate. As the subordinated notes still have remaining duration of 2.5 to 4.5 years from the reporting date, OSKIB will continue to review its assumption over the expected duration.

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, investments 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 confirm with group accounting policies where required.

The carrying amount of the Company's investments 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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Basis of consolidation (Cont'd)

The assets and liabilities of the newly acquired subsidiary companies 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.

(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 statements of financial position 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 associated companies 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.

(iv) Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in income statement of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(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. The policy for the recognition and measurement of impairment losses is disclosed in Note 3(f).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Freehold land is not depreciated. Long term leasehold land are with an unexpired period of 50 years or more and short term leasehold land are with an expired period of less than 50 years. Classification of leasehold land as property, plant and equipment or prepaid land lease payments are dependent on whether the leasehold land transfer to the Group or the Company substantially all the risks and rewards incidental to ownership of the leasehold land, as further described in Note 3(h). 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$^1/_3$%
Furniture and fittings	10% - 15%
Renovations	10% - 15%

Building-in-progress is depreciated only upon completion and when ready for its 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.

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 the Directors with reference to market evidence of transaction prices for similar properties and/or valuations performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment property are recognised in profit or loss in the year in which they arise.

Investment property is derecognised when either it has been disposed of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets

(i) Goodwill on consolidation and purchased goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 3(j).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(ii) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (Cont'd)

(ii) Other intangible assets (Cont'd)

- **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 statements of financial position. 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.

- **Banking and stockbroking licences**

Merchant banking licence represents contribution to Bank Negara Malaysia ("BNM") to transform from Universal Broker into an Investment Bank. Merchant bank licence has indefinite useful life and is stated at cost less any accumulated impairment losses.

Commercial banking and stockbroking licences represent professional fees incurred by the Group for submission and obtaining the regulatory approvals of licences in Cambodia.

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

- **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 reporting date. The useful life of software licences classified as intangible assets is 6 to 7 years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(g) Statement of cash flows and cash and cash equivalents

Statement of cash flows is prepared using 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) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Leases (Cont'd)

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3 (l)(xii).

(i) Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(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 reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting 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.

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 statement of financial position presented are translated at the closing rate prevailing at the reporting 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 reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiary companies 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:

	2010	2009
Closing rate		
United States Dollar ("USD")	3.08350	3.42450
Singapore Dollar ("SGD")	2.38590	2.44010
Hong Kong Dollar ("HKD")	0.39615	0.44160
Indonesian Rupiah ("IDR")	0.00034	0.00036
Khmer Riels ("KHR")	0.00076	0.00082
Average rate		
United States Dollar ("USD")	3.22950	3.51869
Singapore Dollar ("SGD")	2.36715	2.42507
Hong Kong Dollar ("HKD")	0.41566	0.45393
Indonesian Rupiah ("IDR")	0.00035	0.00034
Khmer Riels ("KHR")	0.00077	0.00085

(k) Operating revenue

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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 using the effective interest rate method. Interest income from impaired accounts will be recognised based on the discounted present recoverable value (net of any impairment losses) at the effective interest rate of the impaired accounts over the remaining period expected to recover the principal. For impaired margin accounts with insufficient collateral surplus, interest will not be recognised until the margin account is reclassified as non-impaired account. Classification as impaired 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 using the effective interest rate method by reference to the rest periods as stipulated in the loan agreements. Where an account classified as impaired, interest accrued and recognised as income prior to the date that the loan is classified as impaired is included in periodic impairment assessment. Thereafter, interest on the impaired loan is recognised based on the discounted present recoverable value (net of any impairment loss) at the effective interest rate of the impaired accounts over the remaining period expected to recover the principal.

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 non-refundable fees and commissions on services and facilities extended to customers that are not an integral part of the effective interest rate on the facilities granted 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/(loss) on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

(x) Gain or loss on call/put warrants offered is recognised upon the exercise or expiry of the call/put warrants in accordance with the terms of the call/put 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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 28(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

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income tax (Cont'd)

(ii) Deferred tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

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 assets

Financial assets are recognised in the statements of financial position when the Group and the Bank have become a party to the contractual provisions of the financial instruments.

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

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

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")**

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial assets (Cont'd)

(ii) Securities portfolio (Cont'd)

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

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

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

- **Loan and receivables**

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

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

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

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

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

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

- **Statutory deposits with Bank Negara Malaysia and National Bank of Cambodia and placements with/of banks and financial institutions and deposits from customers**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial assets (Cont'd)

(iii) Impairment of financial assets

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

Securities HTM, loan and receivables

The Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

The carrying amount of the financial asset is reduced through the use of an allowance account.

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

The Group have adopted certain criteria in identification of impaired loans, which include classifying loans as impaired 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 collective impairment assessment based on a certain percentage of the loan portfolio, net of individual impairment assessment for impaired loans, advances and financing is made by banking and capital financing subsidiary against possible losses which are not specifically identified. The collective impairment assessment made by the Bank conforms with the minimum rate specified by Bank Negara Malaysia in accordance with the transitional provision in BNM/GP3.

An uncollectible loans, advances and financing or portion of a loans, 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 impaired 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 subsidiary companies; and in conformity with the minimum regulatory requirements of the National Bank of Cambodia for the Cambodian banking subsidiary.

For regulatory reporting purpose, the policies on identification of non-performing accounts, specific allowance for bad and doubtful debts and suspension of interest of Malaysia broking receivables are in accordance with the Rule 1104 of Bursa Malaysia Securities Berhad.

Unquoted equity securities carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial assets (Cont'd)

(iii) Impairment of financial assets (Cont'd)

Securities AFS

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

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

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

(q) 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 reporting 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") and Put Warrants ("PW")**

Non-collaterised 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 based on day end ask price.

Realised gains on CW/PW are recognised upon the expiry of the CW/PW, if the CW/PW holders did not exercise their CW/PW during the exercise period, or upon any exercise of CW/PW during the exercise period by the CW/PW 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/PW.

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

- **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 or foreign currencies in accordance with the formula as stated in the terms of the structured investments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Derivative financial instruments (Cont'd)

- **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 reporting date.

- **Foreign exchange forward and swap contracts**

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

(r) Financial liabilities

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

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

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

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

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

(ii) Other financial liabilities

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

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

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

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

Trade payables in respect of the stockbroking 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 stockbroking 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.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial guarantee contracts

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

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

(t) Borrowing costs

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

(u) 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 statements of financial position and is measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

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 statements of financial position. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statements of financial position.

(v) Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(w) 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.

(x) 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 OBJECTIVES AND 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, operational 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, 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 futures broking business in Malaysia is required to comply with the business rules of Bursa Malaysia Derivatives Berhad ("Bursa Derivatives") and Bursa Malaysia Derivatives Clearing Berhad and operational and financial requirements of Bursa Derivatives. The Group's unit trust business in Malaysia are supervised by SC and are required to adhere to the guidelines issued by the SC.

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. Provision for impairment loss 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 potential loss arising from the failure by a counterparty to fulfil its obligations under a contractual agreement and include settlement/clearing risk, concentration risk, credit assessment risk, recovery risk and credit-related liquidity risk. The Group conservatively manages its credit risk by controlling the granting of credit approvals, revision in limits and other monitoring procedures.

The Group authorises the credit approval authorities of its subsidiary companies in Cambodia, Hong Kong, Indonesia and Singapore and monitors these subsidiary companies through regular group-wide reporting procedures. Credit risk is minimised via emphasising the Group's associations with business partners of high creditworthiness and enforcement of margin call, force selling and other daily monitoring procedures. A credit approval authority limit structure approved by the Board of Directors is in place for the granting of credit facilities of the Group. Loans, advances and financing, trade and other receivables are monitored on a timely and ongoing basis via group-wide management reporting procedures involving the respective business unit heads, Credit Control and Supervision Department, Credit Lending Committee, Executive Committee and the Board of Directors.

Provision for impairment losses, allowances for bad and doubtful debts are made and interest income is recognised or in accordance with the relevant rules of the respective jurisdictions or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts for the commercial banking, corporate lending and stockbroking businesses. Write-off of debts against individual impairment 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 financial transactions with risk of default with counter parties in debt instruments, foreign exchange and money market activities. The exposure of such risk is mitigated via preventive risk management measures in limiting the activities within pre-set exposure limit in accordance with the Group's overall risk appetite and the periodic monitoring of credit exposures.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

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

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

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

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

The Group Assets and Liabilities Management Committee is the primary party responsible for liquidity management based on guidelines approved by the Group Risk Management Committee. The management of the Group's liquidity risk is aligned to the New Liquidity Framework issued by Bank Negara Malaysia supplemented by liquidity risk management control and limits and a liquidity stress testing program. Liquidity limits are set for cash flow mismatches. In addition, liquidity trigger limits and concentration ratios are in place to serve as liquidity early warning indicators. Liquidity stress test programs are used to analyse the cash flow liquidity under "Systemic Wide Problem" and "Institutional Specific Problem" scenarios.

(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.

(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 Management Risk Committee, the Investment Committee, the Credit Lending Committee and the Executive Committee of an investment banking subsidiary.

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

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.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 may hedge against interest rate risk through the use of medium term financial instruments and derivatives should its use result in cost savings or risk management.

(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. Other than performing trading and settlement of transactions for clients mainly denominated in Hong Kong Dollar, Indonesian Rupiah, United States Dollar, Singapore Dollar and Khmer Riel, investing in investments and derivative financial instruments mainly denominated in Hong Kong Dollar, Singapore Dollar and United States Dollar and the offer of foreign exchange spot, forward and swap contracts in major foreign currencies, the Group is not exposed to any other significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group.

Currency risks relating to operating activities in the ordinary course of business of the Group are minimal and hedged through operational course of business. Currency exposures arising on the holding of monetary assets and liabilities denominated in foreign currencies, mainly held-for-trading and available-for-sale investments, derivative financial assets/liabilities, bank balances and deposits with/of financial institutions.

Foreign exchange translation differences arising on the consolidation of subsidiaries with Singapore Dollar, Hong Kong Dollar, United States Dollar and Indonesian Rupiah 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 subsidiary companies.

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

(g) Operational risk

Operational risk is the potential loss caused by inadequate systems of controls, human errors or other management failures that do not relate to strategic, market or credit activities. Operational risk is made up of management information risk, dealing risk, settlement risk, liquidity risk, compliance risk and legal risk.

Operational risk is inherent in nature and is controlled and mitigated within the cost constraints and without compromising efficiency. Operational risk can surface in procedures that have been in place for years due to changes in market practices and the market environment. As such, the Group's business activities and processes are continuously studied to ensure that new risks are identified and properly deliberated. The Group adopts a risk-focused internal audit approach to gauge the level of adherence and compliance to internal and regulatory policies/procedures, as well as to assess the adequacy and appropriateness of the risk management policies/procedures to manage the Group's risk activities.

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.

NOTES TO THE FINANCIAL STATEMENTS
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5. CASH AND SHORT TERM FUNDS

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
(a) General accounts					
Cash and bank balances with banks and other financial institutions		291,217,684	152,239,214	148,865	2,836,290
Current accounts:					
- Bank Negara Malaysia		5,341,370	4,123,613	-	-
- National Bank of Cambodia		3,446,875	3,550,388	-	-
Deposits with licensed banks		58,596,497	94,905,654	4,157,400	3,012,100
		358,602,426	254,818,869	4,306,265	5,848,390
(b) Segregated accounts	(i)				
Balances with banks and other financial institutions		312,307,573	256,879,114	-	-
Deposits with:					
- licensed banks		432,127,000	487,731,481	-	-
- licensed investment banks		143,966,725	40,000,000	-	-
		888,401,298	784,610,595	-	-
(c) Money at call and deposits placements with maturities within one month					
Licensed banks		252,876,750	138,159,442	-	-
Licensed investment banks		20,000,000	30,000,000	-	-
Bank Negara Malaysia		33,000,000	403,600,000	-	-
		305,876,750	571,759,442	-	-
		1,552,880,474	**1,611,188,906**	**4,306,265**	**5,848,390**

(i) 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
31 DECEMBER 2010

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2010	**2009**
	RM	**RM**
Money at call and deposit placements with remaining maturities of more than one month:		
Licensed banks	**-**	**50,000,000**

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group	
	2010	**2009**
	RM	**RM**
The underlying securities purchased under resale agreements are as follows:		
Malaysian Government Securities	59,886,081	-
Quoted shares outside Malaysia	51,600,344	-
	111,486,425	**-**

8. SECURITIES PORTFOLIO

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(a) Securities held-for-trading				
At fair value				
Quoted securities:				
Shares, exchange traded funds and warrants				
- in Malaysia	228,570,824	72,620,044	10,825,352	11,266,356
- outside Malaysia	70,312,366	38,240,680	13,018,381	14,329,369
	298,883,190	110,860,724	23,843,733	25,595,725
Trust units in Malaysia	1,049,202	2,846,925	-	-
	1,049,202	2,846,925	-	-
Unquoted securities:				
Private debt securities outside Malaysia	349,063,483	89,956,682	-	-
Total	**648,995,875**	**203,664,331**	**23,843,733**	**25,595,725**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

8. SECURITIES PORTFOLIO (CONT'D)

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
(b) Securities held-to-maturity				
At amortised cost				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	9,789,310	12,410,168	-	-
Cagamas bonds	5,037,045	5,059,128	-	-
Malaysian Government Investment Issue	185,440,753	155,830,723	-	-
Negotiable instruments of deposit	110,000,000	440,000,000	-	-
	310,267,108	613,300,019	-	-
Unquoted securities:				
Private and Islamic debt securities	359,003,825	410,795,524	-	-
Less: Impairment losses	(6,843,774)	-	-	-
	352,160,051	410,795,524	-	-
Total	**662,427,159**	**1,024,095,543**	**-**	**-**
(c) Securities available-for-sale				
At fair value				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	431,729,738	533,278,577	-	-
Cagamas bonds	7,041,200	12,116,700	-	-
Malaysian Government Investment Issue	160,620,000	137,311,500	-	-
Malaysian Government Securities	610,456,272	574,598,711	-	-
Negotiable instruments of deposit	80,300,307	130,698,716	-	-
	1,290,147,517	1,388,004,204	-	-
Quoted securities:				
Shares and warrants				
- in Malaysia	939,719	962,799	-	-
- outside Malaysia	8,783,824	91,532	-	-
	9,723,543	1,054,331	-	-
Trust units outside Malaysia	9,200,060	-	-	-
	18,923,603	1,054,331	-	-
Unquoted securities:				
Shares and warrants				
- in Malaysia	7,283,953	2,855,000	-	-
- outside Malaysia	3,228,473	8,222,203	-	-
Private and Islamic debt securities	1,541,072,377	1,355,251,877	-	-
Less: Impairment losses	(64,790,338)	(24,086,354)	-	-
	1,476,282,039	1,331,165,523	-	-
	1,486,794,465	1,342,242,726	-	-
Total	**2,795,865,585**	**2,731,301,261**	**-**	**-**
Total securities	**4,107,288,619**	**3,959,061,135**	**23,843,733**	**25,595,725**

The reclassification of securities is disclosed in Note 53 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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9. DERIVATIVE FINANCIAL ASSETS

	Group	
	2010 RM	2009 RM
At fair value		
Equity related contracts		
Options	50,707,226	34,005,439
Futures	-	(46,721)
	50,707,226	33,958,718
Commodities related contracts		
Futures	10,205	-
	50,717,431	33,958,718
Interest rate swaps	37,452,606	2,369,029
Foreign currency, forward and swap contracts	2,126,589	794,649
	90,296,626	**37,122,396**
Contract/Notional amount		
Equity related contracts		
Options	52,723,000	38,856,900
Futures	-	10
Interest rate swaps	849,046,125	511,970,110
Foreign currency, forward and swap contracts	560,865,461	168,704,116

10. LOANS, ADVANCES AND FINANCING

		Group	
	Note	2010 RM	2009 RM
Term loans		673,731,555	312,671,274
Revolving credits		70,299,686	-
Staff loans		1,766,386	1,499,002
Share margin financing		628,983,988	639,867,910
		1,374,781,615	954,038,186
Less : Unearned interest and income		(15,428)	(22,175)
	(a)	1,374,766,187	954,016,011
Interest-in-suspense *		-	(2,079,955)
		1,374,766,187	951,936,056
Allowance for impaired loans, advances and financing			
- Individual impairment		(10,188,834)	-
- Collective impairment		(17,130,055)	-
- General allowance		-	(10,627,926)
- Specific allowance		-	(8,651,892)
Net loans, advances and financing		**1,347,447,298**	**932,656,238**

* In accordance with the Rules of Bursa Malaysia Securities Berhad.

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

(a) Analysis of gross loans, advances and financing

	Group 2010 RM	Group 2009 RM
(i) By type of customers		
Domestic business enterprises		
- Small and medium enterprises	604,941,757	287,790,712
Foreign entities	53,730,277	107,186,750
Other domestic entities	115,035,735	28,732,734
Individuals	601,058,418	530,305,815
	1,374,766,187	**954,016,011**
(ii) By interest/profit rate sensitivity		
Fixed rate	1,247,276,027	881,909,247
Variable rate		
- Cost plus	60,262,041	47,916,905
- Other variable rates	67,228,119	24,189,859
	1,374,766,187	**954,016,011**
(iii) By economic purpose		
Working capital	228,649,686	28,943,020
Purchase of securities	852,958,653	802,863,495
Others	293,157,848	122,209,496
	1,374,766,187	**954,016,011**
(iv) By geographical distribution		
Malaysia	1,090,470,905	685,919,346
Singapore	121,178,797	147,464,734
Hong Kong	60,262,041	47,916,905
Indonesia	16,994,305	17,678,069
Cambodia	85,860,139	55,036,957
	1,374,766,187	**954,016,011**
(v) By maturity structure		
Up to 3 months	696,588,463	594,025,436
3-12 months	345,172,363	326,413,906
1-5 years	286,157,268	27,222,725
Over 5 years	46,848,093	6,353,944
	1,374,766,187	**954,016,011**

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

(b) Analysis of impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group	
	2010	**2009**
	RM	**RM**
At beginning of year	22,992,540	34,590,931
Effects of FRS 139 *	2,079,955	-
As restated	25,072,495	34,590,931
Classified as impaired	10,826,418	9,134,622
Reclassified as non-impaired	(2,335,018)	(18,676,437)
Amount recovered	(7,216,150)	-
Amount written off	-	(3,304,430)
Exchange differences	(227,079)	1,247,854
At end of year	26,120,666	22,992,540
Individual impairment	(10,188,834)	-
Specific allowance	-	(6,753,868)
Net impaired loans, advances and financing	**15,931,832**	**16,238,672**
Ratio of net impaired loans, advances and financing to net loans, advances and financing	**1.18%**	**1.18%**

* Included amounts previously referred as 'interest-in-suspense'.

Analysis of impaired loans, advances & financing by geographical distribution:

	2010	2009
Malaysia	25,749,466	20,608,964
Hong Kong	40,986	195,876
Indonesia	37,543	2,187,700
Cambodia	292,671	-
	26,120,666	**22,992,540**

All impaired loans, advances and financing are for purchase of securities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

(b) Analysis of impaired loans, advances and financing (Cont'd)

(ii) Movement in the allowance for impaired loans, advances and financing

	Group	
	2010 RM	2009 RM
Collective impairment		
At beginning of year		
As previously reported	-	-
Adoption of FRS 139	(10,627,926)	-
As restated	(10,627,926)	-
Made	(6,572,706)	-
Exchange difference	70,577	-
At end of year	**(17,130,055)**	**-**
As % of gross loans, advances and financing less individual impairment	**1.26%**	**0.00%**

Collective impairment for impaired loans, advances and financing according to economic purpose, allocated on a pro-rated basis, are as follows:

	Group	
	2010 RM	2009 RM
Working capital	(3,163,273)	-
Purchase of securities	(10,394,308)	-
Others	(3,572,474)	-
	(17,130,055)	**-**

	Group	
	2010 RM	2009 RM
General Allowance		
At beginning of year		
As previously reported	(10,627,926)	(5,337,979)
Adoption of FRS 139	10,627,926	-
As restated	-	(5,337,979)
Made	-	(5,305,463)
Exchange difference	-	15,516
At end of year	**-**	**(10,627,926)**
As % of gross loans, advances and financing less specific allowance	**0.00%**	**1.13%**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

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

(b) Analysis of impaired loans, advances and financing (Cont'd)

(ii) Movement in the allowance for impaired loans, advances and financing (Cont'd)

	Group	
	2010	**2009**
	RM	**RM**
Individual impairment		
At beginning of year		
As previously reported	-	-
Adoption of FRS 139 *	(10,731,847)	-
As restated	(10,731,847)	-
Made *	(4,361,903)	-
Written back *	3,162,191	-
Written off	1,691,329	-
Exchange difference	51,396	-
At end of year *	**(10,188,834)**	**-**

* Included amounts previously referred as 'interest-in-suspense'.

	Group	
	2010	**2009**
	RM	**RM**
Specific allowance		
At beginning of year		
As previously reported	(8,651,892)	(16,455,691)
Adoption of FRS 139	8,651,892	-
As restated	-	(16,455,691)
Made	-	(3,685,949)
Written back	-	9,411,584
Written off	-	2,421,476
Exchange difference	-	(343,312)
At end of year	**-**	**(8,651,892)**

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. Treatment of interest-in-suspense (classified as individual impairment for the purpose of financial reporting) and impairment loss on receivables of the Malaysian stockbroking business have been made in accordance with the requirements of the Rules 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.

The Group performs individual impairment assessment based on certain obligatory and judgemental triggers that may indicate potential impairment. All impaired accounts as defined in Note 3(p)(iii) are selected for individual impairment review on a monthly basis, of which mostly are share margin financing and limited corporate loans.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

11. TRADE RECEIVABLES

		Group	
		2010	**2009**
	Note	**RM**	**RM**
Stock and futures broking receivables:			
Amount owing by clients		985,627,221	836,400,239
Interest-in-suspense		-	(3,883,043)
Allowance for bad and doubtful debts			
- Individual impairment	(a)	(13,534,336)	-
- Specific allowance	(a)	-	(13,499,813)
- General allowance	(a)	-	-
Segregated funds maintained for clients due to open position		43,861,057	49,018,803
		1,015,953,942	868,036,186
Amount owing by:			
- brokers		371,626,730	276,597,762
- foreign derivatives clearing house		8,552,287	3,952,824
- foreign securities clearing house and stock exchange		626,279,046	1,480,438,079
Physical trade receivables		7,600	18,900
Unit trust receivables		16,973,329	12,505,388
Others		4,527,774	6,783,836
		2,043,920,708	**2,648,332,975**

Securities trading of a banking subsidiary company settled in 3 market days in accordance with the Fixed Delivery and Settlement Trading Rules of Bursa Securities, in 3 market days for the Singapore and Indonesia subsidiary companies and in 2 market days for the Hong Kong subsidiary company.

Fixed income instruments trading of the Bank are settled either on the same trading day, in 1 market day or in 2 market days. The normal credit term for capital financing range from 2 to 12 months from the date of financing.

Unit trust funds are normally settled within 10 (2009: 10) market days.

The treatment of interest-in-suspense (classified as individual impairment for the purpose of financing reporting) and impairment loss on receivables of the Malaysian stockbroking business 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 1.88% (2009: 0.98%) 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
31 DECEMBER 2010

11. TRADE RECEIVABLES (CONT'D)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group 2010 RM	Group 2009 RM
Neither past due nor impaired	1,949,518,275	2,566,754,757
1 to 30 days past due not impaired	88,208,590	71,743,499
31 to 60 days past due not impaired	1,650,079	649,329
61 to 90 days past due not impaired	23,750	501,144
91 to 120 days past due not impaired	221,687	21,915
More than 121 days past due not impaired	1,657,012	1,285,068
	91,761,118	74,200,955
Impaired	2,641,315	7,377,263
	2,043,920,708	**2,648,332,975**

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM91,761,118 (2009: RM74,200,955) that are past due at the reporting date but not impaired.

The remaining balance of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Note	Group 2010 RM	Group 2009 RM
Trade receivable - gross amounts		16,175,651	24,760,119
Less: Interest-in-suspense		-	(3,883,043)
Individual impairment	(a)	(13,534,336)	-
Specific allowance	(a)	-	(13,499,813)
		2,641,315	**7,377,263**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

11. TRADE RECEIVABLES (CONT'D)

	Group 2010 RM	Group 2009 RM
(a) Movement in the allowance for impaired trade and other receivables:		
Individual impairment		
At beginning of year		
As previously reported	-	-
Adoption of FRS 139 *	17,509,831	-
As restated	17,509,831	-
Made *	6,107,727	-
Written back *	(6,099,112)	-
Write off	(3,868,398)	-
Exchange difference	(115,712)	-
At end of year *	**13,534,336**	**-**

* Included amounts previously referred as 'interest-in-suspense'.

	Group 2010 RM	Group 2009 RM
Specific allowance		
At beginning of year		
As previously reported	13,499,813	15,746,085
Adoption of FRS 139	(13,499,813)	-
As restated	-	15,746,085
Made	-	3,844,684
Written back	-	(5,399,960)
Write off	-	(736,450)
Exchange difference	-	45,454
At end of year	**-**	**13,499,813**
General allowance		
At beginning of year	-	17,615
Addition	-	179,550
Reversal	-	(197,165)
At end of year	**-**	**-**

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Total loans and receivables comprised:					
Trade receivables	11	2,043,920,708	2,648,332,975	-	-
Other assets	12	94,816,432	71,806,652	18,599,995	12,491,311
Cash and short term funds	5	1,552,880,474	1,611,188,906	4,306,265	5,848,390
Total loans and receivables		**3,691,617,614**	**4,331,328,533**	**22,906,260**	**18,339,701**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

12. OTHER ASSETS

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Interest/income receivable		38,366,107	37,806,854	608	158
Security deposits and statutory funds	(a)	7,450,939	4,188,288	-	-
Other receivables, deposits and prepayments	(b)	48,728,686	29,583,310	3,557,450	137,805
Amounts due from subsidiary companies	(c)	-	-	15,041,937	12,353,348
Transferable golf club memberships		270,700	228,200	-	-
		94,816,432	**71,806,652**	**18,599,995**	**12,491,311**

(a) Security deposits and statutory funds

	Note	Group 2010 RM	Group 2009 RM
Reserve fund deposit with the Hong Kong Futures Exchange Clearing Corporation Limited	(i)	1,451,721	885,484
Reserve fund deposit with the SEHK Options Clearing House Limited	(i)	1,222,318	1,430,532
Stamp duty deposit with The Stock Exchange of Hong Kong Limited	(i)	236,845	137,807
Fidelity fund and compensation fund with The Stock Exchange of Hong Kong Limited	(i)	97,507	97,507
Admission Fees paid to The Hong Kong Securities Clearing Company Limited	(i)	48,754	48,754
Contributions in cash to a guarantee fund with The Hong Kong Securities Clearing Company Limited	(i)	76,485	48,754
Securities dealers' deposits with Securities and Futures commission	(i)	48,754	48,754
Capital reserve with Securities Exchange Commission of Cambodia	(ii)	3,043,177	-
Exchange difference		(384,611)	(119,293)
		5,840,950	2,578,299
Security deposit and clearing fund with			
- Bursa Malaysia Derivatives Clearing Bhd ("the Derivatives Clearing")	(iii)	1,499,989	1,499,989
- Bursa Malaysia Securities Clearing Sdn. Bhd. ("the Securities Clearing")	(iii)	10,000	10,000
Trust deposits	(iv)	100,000	100,000
		7,450,939	**4,188,288**

(i) These represent security deposits and fund contributions paid by Group's foreign stockbroking and futures subsidiary companies to the Hong Kong securities and derivatives clearing house and securities exchange.

(ii) This represents the capital reserve for the OSK Indochina Securities Limited as required by Securities Exchange Commission of Cambodia ("SECC") to maintain a deposit of KHR4.0 billion with the SECC's account at National Bank of Cambodia.

(iii) These represent security deposits and fund contribution paid by OSKIB to the Securities Clearing and the Derivatives Clearing respectively.

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

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

(b) Other receivables, deposits and prepayments

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Other receivables	21,028,662	8,318,033	3,485,000	82,279
Less: Impairment loss	(607,038)	(649,880)	-	-
	20,421,624	7,668,153	3,485,000	82,279
Other deposits	11,884,595	11,885,627	4,500	4,500
Prepayments	16,422,467	10,029,530	67,950	51,026
	48,728,686	**29,583,310**	**3,557,450**	**137,805**

(c) Amounts due from subsidiary companies

	Company	
	2010	2009
	RM	RM
Interest bearing	13,513,699	-
Non-interest bearing	-	10,587,653
Balance of uninvested funds placed with an asset management subsidiary company	1,528,238	1,765,695
	15,041,937	**12,353,348**

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment other than an amount of RM1,517,543 (2009: RM1,278,450) with a credit term of 3 days.

13. STATUTORY AND RESERVE DEPOSITS WITH CENTRAL BANKS

		Group	
		2010	2009
	Note	RM	RM
Statutory deposit with Bank Negara Malaysia	(a)	45,209,670	36,255,670
Statutory deposit with the National Bank of Cambodia	(b)	12,334,000	8,652,968
Reserve deposit with the National Bank of Cambodia	(c)	12,134,100	2,764,624
		69,677,770	**47,673,262**

(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% (2009: 1.0%) 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 as capital guarantee under Prakas B7-01-136 dated 15 October 2001. This deposit bears interest of 0.09% to 0.19% (2009: 0.28% to 0.68%) 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 and its wholly-owned subsidiary company, OSK Indochina Securities Limited, are required to maintain certain cash reserves as reserve requirement with the National Bank of Cambodia in the form of compulsory deposits, computed at 8% and 12% (2009: 8% and 12%) 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% (2009: 12%), 8% (2009: 8%) will bear interest at 0% (2009: 0%), while the remaining 4% (2009: 4%) will bear interest at 0.5% (2009: 0.5%) of one-month Singapore Interbank Offered Rate (SIBOR).

NOTES TO THE FINANCIAL STATEMENTS
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14. DEFERRED TAXATION

(a) Deferred tax assets

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
At beginning of year		3,402,206	6,365,721	-	2,466,672
Recognised in:					
- income statements	38	139,462	672,122	-	(2,466,672)
- AFS reserve		(3,024,703)	(3,002,059)	-	-
Distribution of shares in a listed subsidiary company		-	(238,063)	-	-
Reclassified from deferred tax liabilities		-	(559,231)	-	-
Foreign exchange differences		(36,282)	163,716	-	-
At end of year		**480,683**	**3,402,206**	**-**	**-**
The deferred tax assets mainly relate to temporary differences arising from:					
Excess of depreciation over capital allowances		(7,932)	(3,923,375)	-	-
Provisions		7,932	2,482,601	-	-
Fair values on securities:					
- HFT		175,630	758,886	-	-
- AFS		(390)	3,024,312	-	-
Other temporary differences		305,443	1,059,782	-	-
		480,683	**3,402,206**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

14. DEFERRED TAXATION (CONT'D)

(b) Deferred tax liabilities

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
At beginning of year					
As previously reported		1,022,893	254,838	766,441	-
Effect of adoption FRS 139		(1,089,733)	-	(21,457)	-
As restated		(66,840)	254,838	744,984	-
Recognised in:					
- income statements	38	2,427,431	4,350,791	(59,054)	766,441
- AFS reserves		(534,991)	(3,024,703)	-	-
Reclassified to deferred tax assets		-	(559,231)	-	-
Foreign exchange differences		(13,261)	1,198	-	-
At end of year		**1,812,339**	**1,022,893**	**685,930**	**766,441**
The deferred tax liabilities mainly relate to temporary differences arising from:					
Excess of capital allowances over depreciation		5,448,919	250,293	-	-
Provisions		(3,110,580)	-	-	-
Fair values on securities:					
- HFT		957,184	770,534	685,930	766,441
- AFS		(1,485,237)	-	-	-
Other temporary differences		2,053	2,066	-	-
		1,812,339	**1,022,893**	**685,930**	**766,441**

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2010	2009
	RM	RM
At cost		
Unquoted shares in Malaysia	986,195,730	934,895,730
Accumulated impairment loss	(628,892)	(628,892)
	985,566,838	934,266,838
Loans to subsidiary companies	8,502,631	-
Granting of financial guarantee to banks for facilities in subsidiary companies	15,950,375	-
	1,010,019,844	**934,266,838**

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

Loans to subsidiary companies above have no fixed tenure, are repayable at the discretion of the subsidiary companies and the subsidiary companies shall have the discretion to decide whether to declare any interest/coupon on the loan.

The particulars of the subsidiary companies and changes in the composition of the Group are disclosed in Note 48 and Note 49 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 26(c).

16. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2010	**2009**
	RM	**RM**
At cost		
Unquoted shares in Malaysia	12,600,974	12,600,974
Impairment losses	(2,649,561)	(2,649,561)
	9,951,413	9,951,413
Share of reserves	11,194,842	10,417,119
	11,194,842	10,417,119
	21,146,255	**20,368,532**
Aggregated assets and liabilities of the associated companies as at reporting date (100%)		
Total assets	68,341,895	65,156,669
Total liabilities	(7,038,500)	(5,904,247)
Aggregated results (100%)		
Revenue	29,778,319	226,203,812
Profit/(loss) after tax for the year	10,487,093	(13,134,216)

The proportion of voting power held is equivalent to the proportion of ownership interest in the associated companies and the particulars of the associated companies are disclosed in Note 48.

NOTES TO THE FINANCIAL STATEMENTS
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17. INVESTMENT PROPERTY

	Group 2010 RM	2009 RM
At fair value		
Freehold land at cost	42,785,687	42,785,687
Fair value changes prior to 1 January	69,814,313	69,814,313
Fair value at beginning of year	112,600,000	112,600,000
Fair value recognised in income statement	21,400,000	-
At end of year	**134,000,000**	**112,600,000**

The investment property generated rental income of RM922,020 (2009: RM925,065) and incurred direct expenses of RM37,357 (2009: RM83,008) for the year.

The fair value of the freehold land as at 31 December 2010 and 31 December 2008 of RM134 million and RM112.6 million respectively were 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.

18. PREPAID LAND LEASE PAYMENTS

	Group 2010 RM	2009 RM
At cost		
As previously reported	-	12,975,130
Effect of amendments to FRS 117	-	(12,975,130)
As restated	**-**	**-**
Accumulated amortisation		
At beginning of year	-	932,472
Amortisation	-	139,572
As previously reported	-	1,072,044
Effect of amendments to FRS 117	-	(1,072,044)
At end of year	**-**	**-**
Net carrying value		
At end of year	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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19. PROPERTY AND EQUIPMENT

Group
2010

	As at 1.1.2010	Additions	Disposals	Write off	Reclassifi-cation	Foreign exchange difference	As at 31.12.2010
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	1,564,521	-	-	-	-	-	1,564,521
Freehold land and buildings	107,408,869	1,745,000	-	-	2,488,000	-	111,641,869
Long term leasehold land and buildings	21,805,473	-	(2,142,063)	-	-	-	19,663,410
Short term leasehold land and buildings	2,740,869	-	-	(415,849)	-	-	2,325,020
Building in progress	2,556,955	451,197	-	(2,887)	(2,488,000)	-	517,265
Machinery	83,675	944,645	-	-	-	-	1,028,320
Motor vehicles	9,006,189	2,950,026	(2,963,386)	-	-	(153,086)	8,839,743
Office equipment	87,978,126	10,318,655	(674,769)	(168,545)	-	(1,361,989)	96,091,478
Furniture and fittings	18,813,466	1,438,652	(9,900)	(161,427)	-	(150,546)	19,930,245
Renovations	41,462,586	12,464,434	(10,080)	(363,513)	-	(728,763)	52,824,664
	293,420,729	30,312,609	(5,800,198)	(1,112,221)	-	(2,394,384)	314,426,535

	As at 1.1.2010	Charge for the year	Reversal for disposals	Write off	Foreign exchange difference	As at 31.12.2010
	RM	RM	RM	RM	RM	RM
Accumulated depreciation						
Freehold land and buildings	8,024,778	1,042,740	-	-	-	9,067,518
Long term leasehold land and buildings	1,491,181	496,100	-	-	-	1,987,281
Short term leasehold land and buildings	805,048	137,652	(182,349)	(122,142)	-	638,209
Machinery	30,517	96,074	-	-	-	126,591
Motor vehicles	5,868,791	1,486,656	(2,787,136)	-	(67,306)	4,501,005
Office equipment	64,268,403	7,280,991	(738,098)	(159,837)	(663,479)	69,987,980
Furniture and fittings	12,739,345	1,201,527	(8,520)	(85,883)	(68,733)	13,777,736
Renovations	26,930,628	3,584,588	(8,988)	(241,732)	(365,501)	29,898,995
	120,158,691	15,326,328	(3,725,091)	(609,594)	(1,165,019)	129,985,315

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19. PROPERTY AND EQUIPMENT (CONT'D)

Group
2009 (Cont'd)

	As at 1.1.2009								
	As previously reported	Effect of amend-ments to FRS 117	As restated	Additions	Disposals	Distribution of shares in a listed subsidiary company	Write off	Foreign exchange difference	As at 31.12.2009
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At cost									
Freehold land	1,564,521	-	1,564,521	-	-	-	-	-	1,564,521
Freehold land and buildings	107,408,869	-	107,408,869	-	-	-	-	-	107,408,869
Long term leasehold land & buildings	11,155,363	10,650,110	21,805,473	-	-	-	-	-	21,805,473
Short term leasehold land & buildings	415,849	2,325,020	2,740,869	-	-	-	-	-	2,740,869
Building in progress	2,114,800	-	2,114,800	442,155	-	-	-	-	2,556,955
Machinery	44,875	-	44,875	38,800	-	-	-	-	83,675
Motor vehicles	9,531,585	-	9,531,585	1,269,151	(1,528,922)	(358,478)	-	92,853	9,006,189
Office equipment	83,218,909	-	83,218,909	8,623,811	(287,063)	(3,591,520)	(280,404)	294,393	87,978,126
Furniture and fittings	18,248,400	-	18,248,400	839,841	(75,279)	(122,808)	(137,932)	61,244	18,813,466
Renovations	39,247,395	-	39,247,395	2,701,955	(135,609)	(395,730)	(139,913)	184,488	41,462,586
	272,950,566	12,975,130	285,925,696	13,915,713	(2,026,873)	(4,468,536)	(558,249)	632,978	293,420,729

	As at 1.1.2009								
	As previously reported	Effect of amend-ments to FRS 117	As restated	Charge for the year	Reversal for disposals	Distribution of shares in a listed subsidiary company	Write off	Foreign exchange difference	As at 31.12.2009
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation									
Freehold land and buildings	6,639,267	-	6,639,267	1,385,511	-	-	-	-	8,024,778
Long term leasehold land & buildings	952,730	389,138	1,341,868	149,313	-	-	-	-	1,491,181
Short term leasehold land & buildings	111,746	682,906	794,652	10,396	-	-	-	-	805,048
Machinery	21,582	-	21,582	8,935	-	-	-	-	30,517
Motor vehicles	6,395,975	-	6,395,975	986,313	(1,309,367)	(241,973)	-	37,843	5,868,791
Office equipment	60,392,462	-	60,392,462	7,240,727	(255,918)	(3,099,382)	(263,580)	254,094	64,268,403
Furniture and fittings	11,589,829	-	11,589,829	1,275,084	(66,644)	(19,620)	(84,754)	45,450	12,739,345
Renovations	23,864,643	-	23,864,643	3,119,897	(47,624)	(101,118)	(54,047)	148,877	26,930,628
	109,968,234	1,072,044	111,040,278	14,176,176	(1,679,553)	(3,462,093)	(402,381)	486,264	120,158,691

19. PROPERTY AND EQUIPMENT (CONT'D)

Group
Net carrying value

	2010 RM	2009 RM
Freehold land	1,564,521	1,564,521
Freehold land and buildings	102,574,351	99,384,091
Long term leasehold land and buildings	17,676,129	20,314,292
Short term leasehold land and buildings	1,686,811	1,935,821
Building in progress	517,265	2,556,955
Machinery	901,729	53,158
Motor vehicles	4,338,738	3,137,398
Office equipment	26,103,498	23,709,723
Furniture and fittings	6,152,509	6,074,121
Renovations	22,925,669	14,531,958
	184,441,220	**173,262,038**

Company

	As at 1.1.2010 RM	Additions/ Depreciation charge for the year RM	As at 31.12.2010 RM
At cost			
Office equipment	4,032	-	4,032
Accumulated depreciation			
Office equipment	1,664	605	2,269

	As at 1.1.2009 RM	Additions/ Depreciation charge for the year RM	As at 31.12.2009 RM
At cost			
Office equipment	4,032	-	4,032
Accumulated depreciation			
Office equipment	1,059	605	1,664

	2010 RM	2009 RM
Net carrying value		
Office equipment	**1,763**	**2,368**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

20. INTANGIBLE ASSETS

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Goodwill on consolidation	(a)	96,596,615	97,316,700	-	-
Purchased goodwill	(b)	46,516,468	46,516,468	-	-
Trading rights and memberships	(c)	979,858	1,313,053	-	-
Merchant bank licence	(d)	52,500,000	52,500,000	-	-
Cambodian commercial banking and stockbroking licences	(e)	12,561,691	6,333,191	-	-
Software licences	(f)	14,695,611	5,858,007	-	-
Trademarks		38,255	16,273	38,255	16,273
		223,888,498	**209,853,692**	**38,255**	**16,273**

(a) Goodwill on consolidation

	Group 2010 RM	Group 2009 RM
At cost		
At beginning of year	131,147,478	135,425,736
Accumulated amortisation		
- set off in accordance with FRS 3	(33,698,483)	(33,698,483)
	97,448,995	101,727,253
Distribution of shares in a listed subsidiary company	-	(4,675,687)
Foreign exchange difference	(733,699)	397,429
At end of year	96,715,296	97,448,995
Accumulated impairment		
At beginning of year	(132,295)	(8,815)
Impairment for the year	-	(127,040)
Foreign exchange difference	13,614	3,560
At end of year	(118,681)	(132,295)
Net carrying value	**96,596,615**	**97,316,700**

(b) Purchased goodwill

	Group 2010 RM	Group 2009 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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20. INTANGIBLE ASSETS (CONT'D)

(c) Trading rights and memberships

	Group	
	2010	**2009**
	RM	**RM**
At cost		
At beginning of year	1,411,116	1,428,388
Foreign exchange difference	(145,209)	(17,272)
At end of year	1,265,907	1,411,116
Accumulated impairment		
At beginning of year	(98,063)	(99,263)
Impairment for the year	(207,830)	-
Foreign exchange difference	19,844	1,200
At end of year	(286,049)	(98,063)
Net carrying value	**979,858**	**1,313,053**

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.

Impairment during the current financial year was in relation to trading rights in Hong Kong Futures Exchange.

(d) Merchant bank licence

	Group	
	2010	**2009**
	RM	**RM**
At cost		
At beginning/end of year	**52,500,000**	**52,500,000**

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

20. INTANGIBLE ASSETS (CONT'D)

(e) Cambodian commercial banking and stockbroking licences

	Group	
	2010	**2009**
	RM	**RM**
At cost		
At beginning of year	6,333,191	-
Incurred during the year	6,228,500	6,333,191
At end of year	**12,561,691**	**6,333,191**
Analysed by:		
Commercial banking licence	9,466,691	-
Stockbroking licence	3,095,000	6,333,191
	12,561,691	**6,333,191**

This represents the professional fees incurred by the Group for its commercial banking licence and stockbroking licence in Cambodia for its subsidiary companies. The licences are considered to have indefinite useful life, which is not amortised and is assessed for impairment annually.

(f) Software licences

	Group	
	2010	**2009**
	RM	**RM**
At cost		
At beginning of year	6,783,633	3,656,223
Additions	10,564,736	3,157,706
Disposals	-	(1,277)
Distribution of shares in a listed subsidiary company	-	(28,996)
Foreign exchange difference	(212,263)	(23)
At end of year	17,136,106	6,783,633
Accumulated amortisation		
At beginning of year	(925,626)	(280,807)
Amortisation	(1,562,656)	(660,875)
Reversal for disposal	-	58
Distribution of shares in a listed subsidiary company	-	7,111
Foreign exchange difference	47,787	8,887
At end of year	(2,440,495)	(925,626)
Net carrying value	**14,695,611**	**5,858,007**

20. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and trading rights have been allocated to six (2009: five) of the individually material cash-generating units ("CGU"), which are reportable segments, for impairment testing as follows:

- **Malaysian 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.

- **Singaporean stockbroking CGU**

  The recoverable amount of the Singaporean 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.

- **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.

- **Indonesian 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.

- **Cambodian commercial banking CGU**

  The recoverable amount of the Cambodian commercial 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.

- **Cambodian stockbroking CGU**

  The Cambodian stockbroking CGU has not commenced operations as at the reporting date. The recoverable amount of the Cambodian stockbroking CGU will be assessed for impairment in the next financial year ending 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

20. INTANGIBLE ASSETS (CONT'D)

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

	Goodwill on consolidation [Note 20(a)]	Purchased goodwill [Note 20(b)]	Total
	RM	RM	RM
2010			
Malaysian stockbroking CGU	50,339,628	46,516,468	96,856,096
Singaporean stockbroking CGU	28,855,186	-	28,855,186
Hong Kong stockbroking CGU	471,477	-	471,477
Indonesian stockbroking CGU	15,875,215	-	15,875,215
Others CGUs *	1,055,109	-	1,055,109
	96,596,615	**46,516,468**	**143,113,083**
2009			
Malaysian stockbroking CGU	50,339,628	46,516,468	96,856,096
Singaporean stockbroking CGU	29,510,683	-	29,510,683
Hong Kong stockbroking CGU	536,065	-	536,065
Indonesian stockbroking CGU	15,875,215	-	15,875,215
Others CGUs *	1,055,109	-	1,055,109
	97,316,700	**46,516,468**	**143,833,168**

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

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

The goodwill attributable to the Malaysian 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:

Trading licence	Classification
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 Malaysian 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.

20. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in value-in-use calculation of Singaporean 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.
- 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 Indonesian 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 Cambodian 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 live, 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 2010

21. DEPOSITS FROM CUSTOMERS

	Group	
	2010	**2009**
	RM	**RM**
Non-Mudharabah Fund		
Demand deposits	8,856,121	6,459,040
Fixed deposits	2,146,033,389	2,786,827,323
Negotiable instruments of deposits	119,330,547	189,772,474
Saving deposits	12,415,407	6,832,359
Short term deposits	757,270,063	589,918,999
Others	298,690	63,165
	3,044,204,217	3,579,873,360
Mudharabah Fund		
Mudharabah general deposits	828,600,908	775,823,186
	3,872,805,125	**4,355,696,546**

(a) By type of customer:

Business enterprises	1,180,287,311	1,341,004,591
Domestic non-bank institutions *	1,854,829,051	2,275,142,335
Foreign customers	10,712,729	14,916,104
Individuals	133,011,376	84,988,883
Local government and statutory bodies	693,665,967	629,533,357
Others	298,691	10,111,276
	3,872,805,125	**4,355,696,546**

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

(b) By maturity structure:

Up to 3 months	3,284,145,410	3,665,523,680
3-12 months	566,664,773	616,993,217
1-5 years	21,994,942	73,179,649
	3,872,805,125	**4,355,696,546**

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.

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2010	**2009**
	RM	**RM**
Non-Mudharabah Fund		
Licensed banks	280,192,448	39,363,493
Licensed investment banks	170,000,000	60,000,000
Other financial institutions	219,576,208	74,858,994
	669,768,656	**174,222,487**

23. DERIVATIVE FINANCIAL LIABILITIES

	Group	
	2010	**2009**
	RM	**RM**
At fair value		
Equity related contracts - Futures	44,830	-
Commodities related contracts - Futures	8,049	-
Structured warrants	141,451,557	47,580,044
Structured investments	6,503,901	2,124,009
Foreign currency swap contracts	1,740,327	2,157,289
	149,748,664	**51,861,342**
Contract/Notional amount		
Equity related contracts - Futures	7	-
Structured warrants	80,338,090	49,517,372
Structured investments	6,409,900	2,045,870
Foreign currency swap contracts	210,789,466	203,915,057

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

24. TRADE PAYABLES

	Group 2010 RM	Group 2009 RM
Amount due to:		
Outstanding contracts on clients' account	1,735,374,127	1,527,877,103
Brokers	821,449,683	1,687,946,144
Foreign clearing house	93,364,597	41,060,030
Trade payables for unit trust activities	7,007,627	13,169,411
	2,657,196,034	**3,270,052,688**

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 ranges from the same trading day to 2 (2009: 2) market days.

The normal trade credit term for unit trust funds is 10 (2009: 10) days.

25. OTHER LIABILITIES

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Interest/income payable		39,943,018	29,157,891	-	-
Other payables, deposits and accruals	(a)	165,419,887	141,918,235	330,107	330,916
Amounts due to:					
- subsidiary companies	(b)	-	-	59,281,265	74,961,534
- an associated company	(c)	3,064,227	3,574,572	-	-
Fair value of financial guarantees given to banks for unexpired facilities in subsidiary companies		-	-	5,811,500	-
Profit equalisation reserve of Islamic banking operations	52(k)	996,000	759,000	-	-
		209,423,132	**175,409,698**	**65,422,872**	**75,292,450**
Financial liabilities at amortised cost comprised:					
Trade payables	24	2,657,196,034	3,270,052,688	-	-
Other liabilities	25	209,423,132	175,409,698	65,422,872	75,292,450
Borrowings	26	410,619,104	216,966,400	4,434,500	29,434,500
Total financial liabilities carried at amortised cost		**3,277,238,270**	**3,662,428,786**	**69,857,372**	**104,726,950**

25. OTHER LIABILITIES (CONT'D)

(a) Other payables, deposits and accruals

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Other payables	18,360,195	13,032,978	1,073	-
Deposits:				
- trading deposits from dealers/ futures broker representatives	42,693,044	40,240,974	-	-
- rental and utilities deposits from tenants	1,570,870	1,570,870	-	-
- other deposits	16,100	15,700	-	-
	44,280,014	41,827,544	-	-
Other accruals and provisions	102,779,678	87,057,713	329,034	330,916
	165,419,887	**141,918,235**	**330,107**	**330,916**

(b) Amounts due to subsidiary companies

	Company	
	2010 RM	**2009 RM**
Interest bearing	52,248,741	74,950,524
Non-interest bearing	7,032,524	11,010
	59,281,265	**74,961,534**

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 4.00% (2009: 3.29% to 5.35%) per annum.

(c) 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 (2009: 90 days).

26. BORROWINGS

		Group		Company	
	Note	**2010 RM**	**2009 RM**	**2010 RM**	**2009 RM**
Unsecured					
- Revolving credits	(a)	289,819,900	178,700,000	-	-
- Short-term loans	(b)	116,364,704	8,831,900	-	-
		406,184,604	187,531,900	-	-
Secured					
- Syndicated term loan	(c)	4,434,500	29,434,500	4,434,500	29,434,500
		4,434,500	29,434,500	4,434,500	29,434,500
Total borrowings		**410,619,104**	**216,966,400**	**4,434,500**	**29,434,500**

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26. BORROWINGS (CONT'D)

(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 2.41% to 4.18% (2009: 3.29% to 4.10%) per annum.

Repayment schedules of the revolving credits are as follows:

	Group	
	2010	**2009**
	RM	**RM**
Rolled over on:		
- daily basis	239,819,900	128,700,000
- monthly basis	50,000,000	50,000,000
	289,819,900	**178,700,000**

(b) Short-term loans

The short-term loans of subsidiary companies are denominated in the following foreign currencies:-

	Group	
	2010	**2009**
	RM	**RM**
Singapore Dollar	23,887,721	-
Hong Kong Dollar	43,972,983	8,831,900
Indonesian Rupiah	48,504,000	-
	116,364,704	**8,831,900**

All short-term loans are repayable within one year and bear interest rate at 1.50% to 9.70% (2009: 1.45%) per annum. The Hong Kong short-term loans are supported by the corporate guarantee of the Company, of up to HK$111,000,000 (2009: up to HK$20,000,000).

(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 15 and bears interest rate at 3.95% to 4.75% (2009: 3.95% to 5.40%) per annum and is repayable in six-monthly intervals started from 29 September 2007.

	Group and Company	
	2010	**2009**
	RM	**RM**
Syndicated term loan	**4,434,500**	**29,434,500**
The term loan is repayable as follows:		
Within one year	4,434,500	25,000,000
From second to fifth year inclusive	-	4,434,500
	4,434,500	**29,434,500**

27. SUBORDINATED NOTES

	Group	
	2010	**2009**
	RM	**RM**
First tranche:		
RM100 million 7.50% due on 13 July 2018, callable in 2013	100,000,000	100,000,000
Second tranche:		
RM125 million 7.50% due on 6 April 2020, callable in 2015	125,000,000	-
Third tranche:		
RM75 million 7.15% due on 25 May 2020, callable in 2015	75,000,000	-
	300,000,000	**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 Subordinated Notes qualify as Tier II Capital for the purpose of determining the capital adequacy ratios of OSKIB.

The proceeds raised from the Subordinated Notes shall be utilised for general business and corporate purpose. The Programme has a tenure 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. The Subordinated Notes to be issued under the MTN Programme shall be issued at par.

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 7.50% per annum and a coupon rate of 7.50% per annum. There will be a step-up coupon from 7.50% per annum to 8.50% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

On 5 April 2010, OSKIB issued RM125 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 6 April 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 6 April 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.25% per annum and a coupon rate of 7.25% per annum. There will be a step-up coupon from 7.25% per annum to 8.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

On 24 May 2010, OSKIB issued RM75 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 25 May 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 25 May 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.15% per annum and a coupon rate of 8.15% per annum. There will be a step-up coupon from 7.15% per annum to 8.15% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

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28. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares/ Amount (RM)	
	2010	**2009**
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	678,665,145	673,068,939
Exercise of ESOS	2,549,500	3,990,400
Conversion of Warrant B 2000/2010	116,324,264	1,605,806
Bonus issue	164,672,464	-
	283,546,228	5,596,206
At end of year	**962,211,373**	**678,665,145**

During 2010, the Company has issued 283,546,228 (2009: 5,596,206) 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 RM119,707,437 (2009: RM6,098,506). 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.

(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 issued a total of 116,324,264 new ordinary shares of RM1 each for total cash proceed of RM117,127,847 out of which 3,214,332 warrants were converted for cash at RM1.25 each and 113,109,932 warrants were converted for cash at RM1.00 each.

On 1 March 2010, the balance of 7,644,678 Warrant B 2000/2010 not exercised on expiry date were removed from the Official List of Bursa Securities.

28. SHARE CAPITAL (CONT'D)

(a) Warrant B 2000/2010 (Cont'd)

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 28(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.

(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;

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28. SHARE CAPITAL (CONT'D)

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

(iv) The option price for each share, as determined by the ESOS Committee, shall be at a discount of not more than ten per cent (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.

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

2010		Number of options over ordinary shares of RM1 each			
Date of grant	**Exercise price ***	**As at 1.1.2010**	**Exercised**	**Bonus Issue ***	**As at 31.12.2010 [4]**
	RM				
27.6.2003 [1]	1.00	963,900	(555,550)	201,875	610,225
16.3.2004 [1]	1.00	3,185,240	(1,035,825)	670,935	2,820,350
29.4.2005 [2]	1.00	713,800	(62,875)	225,725	876,650
3.5.2006 [3]	1.00	2,732,800	(895,250)	614,274	2,451,824
		7,595,740	**(2,549,500)**	**1,712,809**	**6,759,049**
Weighted average price (RM)		**1.03**	**1.00**	**-**	**1.00**

* The ESOS committee on 6 October 2009 and 26 January 2010 approved the adjustments of ESOS exercise prices pursuant to Clause 18.3(c)(1) of the ESOS By-Laws based on the shares distribution in listed subsidiary companies and bonus issue exercise implemented. Additional 1,712,809 new options were issued consequential to the bonus issue.

2009		Number of options over ordinary shares of RM1 each			
Date of grant	**Exercise price ***	**As at 1.1.2009**	**Exercised**	**Forfeited**	**As at 31.12.2009 [4]**
	RM				
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**

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.

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28. SHARE CAPITAL (CONT'D)

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

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**

4 The balance of options as at the balance sheet are exercisable as at the reporting 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 2010	2009
Number of options granted since implementation of ESOS	44,160,500	44,160,500
Less:		
Number of options exercised since implementation of ESOS	(33,036,560)	(30,487,060)
Number of options forfeited since implementation of ESOS	(6,077,700)	(6,077,700)
Add: Bonus issue	1,712,809	-
Number of options outstanding	**6,759,049**	**7,595,740**

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28. SHARE CAPITAL (CONT'D)

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

(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
2010				
January, April, June, August, November, December	1.00	1.40 to 2.10	555,550	555,550
January	1.06	1.40	501,500	531,590
February to April	1.00	1.28 to 2.10	534,325	534,325
April, June, August and December	1.00	1.28 to 2.10	62,875	62,875
January to April, June, August, October to December	1.00	1.28 to 2.10	895,250	895,250
			2,549,500	2,579,590
Less: Par value of ordinary shares				(2,549,500)
Share premium				**30,090**
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**

28. 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:

	On 3 May 2006
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:

	On 4 January 2007			
	Date of Grant			
	27.6.2003	16.3.2004	29.4.2005	3.5.2006
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.

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28. SHARE CAPITAL (CONT'D)

(c) Bonus issue by the Company

On 25 January 2010, the Company issued additional 164,672,464 new ordinary shares of RM1.00 each as Bonus Shares that were listed on 26 January 2010. The new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

Consequentially, 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 was revised downwards from RM1.25 to RM1.00 and an additional 24,150,922 Warrant B 2000/2010 were issued pursuant to the adjustment of the subscription price.

29. TREASURY SHARES

	Group and Company	
	2010	**2009**
	RM	**RM**
At cost		
At beginning of year	29,781,821	29,778,856
Share buybacks	3,315	2,965
At end of year	**29,785,136**	**29,781,821**
Number of treasury shares		
At beginning of year	24,149,412	24,147,412
Share buybacks	2,000	2,000
At end of year	24,151,412	24,149,412
Total number of outstanding shares in issue after set off (excluding treasury shares held)	938,059,961	654,515,733
Total number of issued and fully paid ordinary shares	**962,211,373**	**678,665,145**

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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29. 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 RM	Lowest price RM	Average cost* RM	Number of shares	Total amount paid RM
2010					
At beginning of year	2.82	0.90	1.23	24,149,412	29,781,821
Share buybacks during the year:					
May 2010	1.32	1.32	1.36	1,000	1,362
November 2010	1.91	1.91	1.95	1,000	1,953
	1.91	1.32	1.66	2,000	3,315
At end of year	**2.82**	**0.90**	**1.23**	**24,151,412**	**29,785,136**
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	1.55	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**

* Average cost includes transaction costs.

30. RESERVES

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Share premium	(a)	-	501,591	-	501,591
Capital redemption reserve	(b)	-	-	-	-
Equity compensation reserve	(c)	778,921	1,093,893	778,921	1,093,893
Foreign exchange reserve		(20,651,850)	6,615,746	-	-
Statutory reserve	(d)	228,991,787	206,077,717	-	-
AFS reserve	(e)	(1,438,733)	(9,024,324)	-	-
		207,680,125	205,264,623	778,921	1,595,484
Retained profits		308,603,783	432,992,067	59,048,875	230,418,834
		516,283,908	**638,256,690**	**59,827,796**	**232,014,318**

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30. RESERVES (CONT'D)

(a) Share premium

	Note	Group and Company 2010 RM	2009 RM
At beginning of year		501,591	-
Conversion of Warrant B 2000/2010	28(a)	803,583	401,452
Exercise of ESOS	28(b)	30,090	100,848
Share issue expenses		-	(709)
Utilisation for bonus issue		(1,335,264)	-
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 is 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 in 2009	(58,919,600)	(58,919,600)
	-	**-**

(c) Equity compensation reserve

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
At beginning of year	1,093,893	1,963,933	1,093,893	1,752,270
Transfer to retained profits due to exercise/forfeiture of ESOS	(314,972)	(658,377)	(314,972)	(658,377)
Distribution of shares in a listed subsidiary company	-	(211,663)	-	-
At end of year	**778,921**	**1,093,893**	**778,921**	**1,093,893**

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 28(b).

30. 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 reporting date in accordance with the requirements of FRS 139 and BNM/GP8.

31. INTEREST INCOME

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Loans, advances and financing	95,135,713	74,951,920	-	-
Deposits and placements with financial institutions	20,861,089	33,927,124	110,761	217,257
Securities HFT	8,346,386	844,648	-	-
Securities HTM	16,441,764	31,906,443	-	-
Securities AFS	84,952,100	57,397,749	-	-
Stockbroking and futures broking clients	8,087,629	1,947,316	-	-
Subsidiary company	-	-	1,171,698	-
Others	371,218	1,284,896	108,730	3,591
	234,195,899	202,260,096	1,391,189	220,848
Accretion of discount less amortisation of premium				
(i) Non-impaired				
- Securities HFT	(93,896)	(6,393)	-	-
- Securities HTM	3,380,502	2,814,748	-	-
- Securities AFS	22,437,728	21,903,867	-	-
(ii) Impaired				
- Securities HTM	2,851,934	-	-	-
- Securities AFS	(436,777)	(312,333)	-	-
	28,139,491	24,399,889	-	-
	262,335,390	**226,659,985**	**1,391,189**	**220,848**

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32. INTEREST EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deposits from customers	108,878,758	106,736,659	-	-
Deposits and placements of financial institutions	2,731,549	132,993	-	-
Obligations on securities sold under repurchase agreements	-	592	-	-
Subordinated notes	17,360,762	7,237,192	-	-
Borrowings	10,036,475	8,738,418	618,864	1,744,351
Subsidiary companies	-	-	1,819,119	2,230,370
Others	1,534,723	79,782	-	-
	140,542,267	**122,925,636**	**2,437,983**	**3,974,721**

33. OTHER OPERATING INCOME

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
(a) Fees and commission				
Advisory, agency, arrangement, placement and referral fees	75,166,659	41,608,609	-	-
Commission	18,781,847	12,522,093	-	-
Fees earned from management of unit trust funds	54,990,183	45,896,060	-	-
Gross brokerage fees	425,544,130	379,696,723	-	-
Loan processing, facility and commitment fees and carrying charges	25,453,292	18,872,307	-	-
Service charges on sale of trust units	33,809,408	32,096,281	-	-
Trustee and will-writing fees	5,733,171	5,689,802	-	-
Others	2,842,862	1,758,210	-	-
	642,321,552	**538,140,085**	**-**	**-**

33. OTHER OPERATING INCOME (CONT'D)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(b) Net gain/(loss) arising from sale of securities and derivatives				
Securities HFT	29,477,624	5,208,792	2,258,506	1,377,199
Securities HTM	1,878,635	657,731	-	-
Securities AFS	6,827,637	5,082,909	-	-
Derivative financial instruments	8,126,821	(29,630,734)	(37,401)	(990,061)
Subsidiary company	-	-	-	(2,258,937)
Shares in associated companies				
- to a subsidiary company	-	-	-	6,577,105
- to others	-	(2,676,352)	-	-
	46,310,717	**(21,357,654)**	**2,221,105**	**4,705,306**
(c) Gross dividend income				
Securities HFT	2,311,871	1,786,672	378,381	175,199
Securities AFS	49,000	987,597	-	-
Unquoted subsidiary company in Malaysia	-	-	47,250,000	14,673,750
	2,360,871	**2,774,269**	**47,628,381**	**14,848,949**
(d) Unrealised (loss)/gain on revaluation of trading securities and derivatives				
Securities HFT	694,219	2,626,424	(766,677)	716,739
Derivative financial instruments	(73,466,545)	(17,207,607)	-	11,165
	(72,772,326)	**(14,581,183)**	**(766,677)**	**727,904**
(e) Unrealised gain on derivatives				
Unexpired structured warrants	**47,334,391**	**42,653,922**	-	**-**
(f) Unrealised gains from foreign exchange translations	**21,306,002**	**5,263,504**	**-**	**159,170**

NOTES TO THE FINANCIAL STATEMENTS
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33. OTHER OPERATING INCOME (CONT'D)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(g) Other income				
Net gain on disposal of equipment	518,459	242,619	-	-
Realised gain/(loss) on foreign exchange	16,457,055	9,613,829	(287,386)	(298,389)
Net gain on interest rate swaps	6,205,283	74,313	-	-
Rental income	8,699,731	6,094,290	-	-
Sales of oil palm produce	171,654	144,805	-	-
Negative goodwill on share buybacks by a subsidiary company	-	902	-	-
Financial guarantee income capitalised as investments in subsidiary companies	-	-	10,138,875	-
Gain on revaluation of an investment property	21,400,000	-	-	-
Others	4,565,074	5,618,670	14,177	30,851
	58,017,256	**21,789,428**	**9,865,666**	**(267,538)**
Total other operating income	**744,878,463**	**574,682,371**	**58,948,475**	**20,173,791**

34. OTHER OPERATING EXPENSES

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(a) Personnel expenses				
Salaries, allowances, bonuses and gratuity	222,144,679	164,760,421	547,500	612,524
Pension costs - defined contribution plan	14,350,581	12,815,101	43,200	46,800
Others	12,896,585	6,126,045	-	-
	249,391,845	**183,701,567**	**590,700**	**659,324**
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	13,274,155	7,781,035	17,255	16,601
Commission	186,854,605	159,342,214	19,115	17,300
Fees and charges	58,705,220	45,808,563	3,905	6,380
Deposit insurance (reversed)/accrual	(216,253)	1,003,271	-	-
Others	6,488,376	5,211,863	-	-
	265,106,103	**219,146,946**	**40,275**	**40,281**

34. OTHER OPERATING EXPENSES (CONT'D)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
(c) Establishment related expenses				
Depreciation and amortisation	16,888,984	14,976,623	605	605
Insurance	2,417,981	2,500,684	10,530	5,453
Rental of equipment	4,801,787	4,681,678	-	-
Rental of premises	18,932,348	17,052,361	-	-
Repair and maintenance	8,283,618	5,708,959	-	-
Utility expenses	5,925,418	5,342,593	-	-
Others	6,398,083	5,185,942	-	-
	63,648,219	**55,448,840**	**11,135**	**6,058**
(d) General administrative expenses				
Communication expenses	12,913,000	6,927,431	97,446	69,338
Legal and professional fees	5,913,950	5,008,208	458,324	507,940
Printing and stationery	6,777,075	6,622,844	151,503	200,486
Administrative expenses	20,457,005	15,996,986	424,228	668,331
Others	2,074,545	1,425,909	-	-
	48,135,575	**35,981,378**	**1,131,501**	**1,446,095**
Total other operating expenses	**626,281,742**	**494,278,731**	**1,773,611**	**2,151,758**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

34. OTHER OPERATING EXPENSES (CONT'D)

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Included in the income statements are the followings:					
Auditors' remuneration					
(i) Statutory audit					
- current year					
- Parent auditors		309,000	337,021	47,000	32,000
- an affiliate of Parent auditors		90,975	89,151	-	-
- other firms		627,038	695,121	-	-
- (over)/underprovision in prior year					
- Parent auditors		(15,593)	25,849	1,000	4,000
- other firms		-	(34,977)	-	-
(ii) Other services - current year					
- Parent auditors		35,000	83,000	3,000	3,000
		1,046,420	1,195,165	51,000	39,000
Amortisation of:					
- prepaid land lease payments	18	-	139,572	-	-
- software licences	20(f)	1,562,656	660,875	-	-
Depreciation	19	15,326,328	14,176,176	605	605
Directors' remuneration	41(a)				
(i) Fees - current year		652,554	781,233	187,500	204,760
(ii) Other emoluments		5,856,948	8,189,155	403,200	454,564
		6,509,502	8,970,388	590,700	659,324
Rental income	33(g)	(8,699,731)	(6,094,290)	-	-
Rental of equipment		4,801,787	4,681,678	-	-
Rental of premises		18,932,348	17,052,361	-	-
Staff costs:					
- Employees Provident Fund		13,730,781	11,958,501	-	-
- social security costs		888,299	732,962	-	-
- salaries, allowances, bonuses and gratuity		216,327,125	156,840,855	-	-
- other staff related expenses		11,936,138	5,198,861	-	-
		242,882,343	174,731,179	-	-
Property and equipment written off	19	502,627	155,868	-	-

NOTES TO THE FINANCIAL STATEMENTS
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35. (ALLOWANCE FOR)/WRITE BACK OF IMPAIRED LOANS, ADVANCES AND FINANCING

	Group		Company	
	2010 **RM**	**2009** **RM**	**2010** **RM**	**2009** **RM**
Specific allowance				
- Made	-	(3,685,949)	-	-
- Written back	-	9,411,584	-	-
Individual impairment				
- Made	(2,822,668)	-	-	-
- Written back	3,160,527	-	-	-
General allowance (net)				
- Made	-	(5,305,463)	-	-
Collective impairment (net)				
- Made	(6,572,706)	-	-	-
Bad debts				
- Recovered	380,664	3,069,278	-	-
- Written off	(837,312)	(201,230)	-	-
	(6,691,495)	**3,288,220**	**-**	**-**

36. (ALLOWANCE FOR)/WRITE BACK OF IMPAIRED TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 **RM**	**2009** **RM**	**2010** **RM**	**2009** **RM**
Specific allowance				
- Made	-	(3,844,684)	-	-
- Written back	-	5,399,960	-	-
Individual impairment				
- Made	(6,045,120)	-	-	-
- Written back	4,652,544	-	-	-
General allowance (net)				
- Written back	-	17,615	-	-
Bad debts				
- Recovered	65,369	194,279	-	-
- Written off	-	(289,459)	-	-
	(1,327,207)	**1,477,711**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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37. (ALLOWANCE FOR)/WRITE BACK OF IMPAIRMENT LOSSES ON INVESTMENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Securities HTM	(7,600,000)	-	-	-
Securities AFS	(38,700,000)	2,970,100	-	-
Goodwill on consolidation	-	(127,040)	-	-
Trading rights	(207,830)	-	-	-
Investment in an associated companies	-	4,839,102	-	-
	(46,507,830)	**7,682,162**	**-**	**-**

38. INCOME TAX EXPENSE AND ZAKAT

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
In respect of the current year					
Malaysian income tax		(29,463,864)	(41,636,196)	(11,689,081)	(2,537,034)
Foreign income tax		(14,778,258)	(10,277,831)	(3,635)	(346)
		(44,242,122)	(51,914,027)	(11,692,716)	(2,537,380)
Over/(under) provision in respect of prior years					
Malaysian income tax		2,867,339	876,614	(12,288)	290,030
Foreign income tax		(15,020)	819,940	-	-
		2,852,319	1,696,554	(12,288)	290,030
Deferred taxation:					
Deferred tax assets	14(a)	139,462	672,122	-	(2,466,672)
Deferred tax liabilities	14(b)	(2,427,431)	(4,350,791)	59,054	(766,441)
		(2,287,969)	(3,678,669)	59,054	(3,233,113)
Income tax expense		(43,677,772)	(53,896,142)	(11,645,950)	(5,480,463)
Zakat		(37,851)	-	-	-
		(43,715,623)	**(53,896,142)**	**(11,645,950)**	**(5,480,463)**
Movement in deferred taxation is analysed as follows:-					
Origination and reversal of temporary differences		(2,257,509)	(3,677,698)	59,054	(3,233,113)
Under provision in prior year		(30,460)	(971)	-	-
		(2,287,969)	**(3,678,669)**	**59,054**	**(3,233,113)**

38. INCOME TAX EXPENSE AND ZAKAT (CONT'D)

Income tax expense is calculated based on the respective jurisdiction statutory income tax rate of the estimated taxable profit for the year as follows:

Country	2010	2009
Malaysia	25.00%	25.00%
Cambodia	Note (a)	Note (a)
Hong Kong	16.50%	16.50%
Indonesia	25.00%	28.00%
Singapore	17.00%	17.00%

Note
(a) higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover

The reconciliation between the tax at statutory tax rate of 25% (2009: 25%) on the profit before tax and the tax expense is as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Profit before tax ("PBT")	194,971,663	191,022,053	56,128,070	14,268,160
Tax at Malaysian statutory tax rate on PBT	48,742,916	47,755,513	14,032,018	3,567,040
Effects of:				
- different tax rates in foreign jurisdictions/other authorities	(2,923,857)	(5,765,830)	-	347
- non-taxable income	(10,328,729)	(4,677,666)	(2,559,653)	(1,312,347)
- non-deductible expenses	9,962,534	15,961,282	161,297	3,515,453
- lower tax rate on opening balance of deferred tax	-	(48,921)	-	-
Deferred tax asset not recognised	1,819,622	2,924,033	-	-
Utilisation of tax losses and capital allowances not recognised in prior year	(735,004)	(556,597)	-	-
(Over)/Under provision of tax in prior years	(2,852,319)	(1,696,554)	12,288	(290,030)
Under provision of deferred tax in prior years	30,460	882	-	-
Income tax expense	**43,715,623**	**53,896,142**	**11,645,950**	**5,480,463**

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 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 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 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the 108 balance and the exempt income account to pay franked dividends from its entire retained profits account.

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38. INCOME TAX EXPENSE AND ZAKAT (CONT'D)

The Group has the following tax relief to offset against future taxable profits:

	Group	
	2010	**2009**
	RM	**RM**
Unused tax losses	53,374,032	37,581,295
Unabsorbed capital allowances	476,805	220,826
	53,850,837	**37,802,121**

Deferred tax assets have not been recognised in respect of unused tax losses of certain subsidiary companies and unabsorbed capital allowances 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$2,114,963 (RM6,521,488 equivalent) (2009: US$1,300,446, or RM4,453,376 equivalent) arising in a foreign subsidiary companies in Cambodia is available to offset against taxable profits arising within five years subsequent to the year in which the loss was incurred.

39. EARNINGS PER SHARE

	Group	
	2010	**2009**
(a) Basic earnings per share		
Profit attributable to owners of the Company (RM)	117,612,592	112,628,540
Weighted average number of ordinary shares in issue	920,373,975	# 811,318,344
Basis earnings per share (sen)	**12.78**	**13.88**
(b) Diluted earnings per share		
Profit attributable to owners of the Company (RM)	117,612,592	112,628,540
Weighted average number of ordinary shares in issue	920,373,975	# 811,318,344
Effect of dilution on assumed conversion of Warrant B 2000/2010 and exercise of options granted under ESOS	2,712,598	21,747,738
Adjusted weighted average number of ordinary shares in issue and issuable	923,086,573	# 833,066,082
Diluted earnings per share (sen)	**12.74**	**13.52**

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.

The weighted average number of ordinary shares in issue of the comparative quarter/preceding year to date has adjusted for the effect of bonus issue on the basis of one (1) new Share ("Bonus Share") for every four (4) existing Shares held, which was completed on 25 January 2010, as if the bonus issue had occured at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS
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40. DIVIDENDS

	Group and Company			
		Amount		Net dividend per share
	2010	2009	2010	2009
	RM	RM	Sen	Sen
For the year ended 31 December 2010				
Interim dividend of 2.5 sen per share less 25% income tax, paid on 28 September 2010	17,575,257	-	1.875	-
For the year ended 31 December 2009				
Final dividend of 5.0 sen per share less 25% income tax, paid on 18 May 2010	35,134,789	-	3.750	-
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
	52,710,046	**24,335,059**	**5.625**	**3.750**

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 2010. 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 2011.

NOTES TO THE FINANCIAL STATEMENTS
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41. 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	
	2010	**2009**	**2010**	**2009**
	RM	**RM**	**RM**	**RM**
Directors:				
Executive				
Fees	-	150,000	-	30,000
Remuneration	-	498,333	-	390,000
	-	648,333	-	420,000
Estimated money value of benefits-in-kind	-	22,699	-	17,764
Total short-term employee benefits	-	671,032	-	437,764
Post-employment benefits				
- defined contribution plan	-	59,800	-	46,800
	-	**730,832**	**-**	**484,564**
Non-Executive				
Fees	652,554	631,233	187,500	174,760
Remuneration	5,165,000	6,640,000	360,000	-
	5,817,554	7,271,233	547,500	174,760
Estimated money value of benefits-in-kind	72,148	171,523	-	-
Total short-term employee benefits	5,889,702	7,442,756	547,500	174,760
Post-employment benefits				
- defined contribution plan	619,800	796,800	43,200	-
	6,509,502	**8,239,556**	**590,700**	**174,760**
Total for Directors	**6,509,502**	**8,970,388**	**590,700**	**659,324**
Other key management personnel:				
Short-term employee benefits	31,230,862	24,076,776	-	-
Post-employment benefits				
- defined contribution plan	1,317,721	1,863,603	-	-
	32,548,583	**25,940,379**	**-**	**-**
Total for key management personnel compensation	**39,058,085**	**34,910,767**	**590,700**	**659,324**

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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration

The Directors' remuneration included in other operating expenses as disclosed in Note 41(a) and 34(a) are paid/payable to the following Directors of the Company:

2010

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

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	
Foo San Kan	
Dr. Ngo Get Ping	
Dato' Abdul Majit bin Ahmad Khan	
Dr. Choong Tuck Yew	- Retired on 15 April 2009
Wong Chong Che	- Resigned on 15 April 2009

The number of Directors of the Company whose total remuneration (excluding benefits-in-kind) during the financial year fell within the following bands is analysed based on reporting date as follows:

	Number of Directors	
	2010	**2009**
Non-Executive:		
RM50,000 and below	1	2
RM50,001 up to RM100,000	-	1
RM100,001 up to RM150,000	-	1
RM150,001 up to RM200,000	2	1
RM600,001 up to RM650,000	1	-
RM700,001 up to RM750,000	-	1
RM1,300,001 up to RM1,350,000	1	-
RM2,100,001 up to RM2,150,000	-	1
RM4,100,001 up to RM4,150,000	1	-
RM5,500,001 up to RM5,550,000	-	1
	6	**8**

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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

Included in the remuneration of the Directors is the remuneration attributable to the Chief Executive Officer of OSKIB, including benefits-in-kind, during the financial year amounting to RM4,172,155 (2009: RM5,667,439). The total remuneration (including benefits-in-kind) of the Directors of the Company are as follows:

	Remuneration received from the Company						Remuneration received from subsidiary companies						Grand total
2010	**Fee**	**Salary**	**Bonus**	**Other emoluments**	**Estimated money value of benefits-in-kind**	**Total**	**Fee**	**Salary**	**Bonus**	**Other emoluments**	**Estimated money value of benefits-in-kind**	**Total**	
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Non-Executive Directors													
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	30,000	360,000	-	43,200	-	433,200	100,000	60,000	-	7,200	-	167,200	600,400
Ong Leong Huat @ Wong Joo Hwa	30,000	-	-	-	-	30,000	100,000	3,300,000	275,000	429,000	38,155	4,142,155	4,172,155
Wong Chong Kim	30,000	-	-	-	-	30,000	-	1,080,000	90,000	140,400	33,993	1,344,393	1,374,393
Dato' Abdul Majit bin Ahmad Khan	30,000	-	-	-	-	30,000	129,285	-	-	-	-	129,285	159,285
Foo San Kan	37,500	-	-	-	-	37,500	132,769	-	-	-	-	132,769	170,269
Dr. Ngo Get Ping	30,000	-	-	-	-	30,000	3,000	-	-	-	-	3,000	33,000
Total Directors' Remuneration	**187,500**	**360,000**	**-**	**43,200**	**-**	**590,700**	**465,054**	**4,440,000**	**365,000**	**576,600**	**72,148**	**5,918,802**	**6,509,502**

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

2009	Remuneration received from the Company						Remuneration received from subsidiary companies						Grand total
	Fee	Salary	Bonus	Other emoluments	Estimated money value of benefits-in-kind	Total	Fee	Salary	Bonus	Other emoluments	Estimated money value of benefits-in-kind	Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Executive Directors													
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	30,000	360,000	30,000	46,800	17,764	484,564	120,000	100,000	8,333	13,000	4,935	246,268	730,832
Non-Executive Directors													
Ong Leong Huat @ Wong Joo Hwa	30,000	-	-	-	-	30,000	120,000	2,400,000	2,400,000	576,000	141,439	5,637,439	5,667,439
Wong Chong Kim	30,000	-	-	-	-	30,000	20,000	960,000	880,000	220,800	30,084	2,110,884	2,140,884
Dato' Abdul Majit bin Ahmad Khan	30,000	-	-	-	-	30,000	112,111	-	-	-	-	112,111	142,111
Foo San Kan	37,500	-	-	-	-	37,500	151,445	-	-	-	-	151,445	188,945
Dr. Ngo Get Ping	30,000	-	-	-	-	30,000	3,000	-	-	-	-	3,000	33,000
Wong Chong Che - resigned on 15.4.2009	8,630	-	-	-	-	8,630	-	-	-	-	-	-	8,630
Dr. Choong Tuck Yew - retired on 15.4.2009	8,630	-	-	-	-	8,630	49,917	-	-	-	-	49,917	58,547
	174,760	-	-	-	-	174,760	456,473	3,360,000	3,280,000	796,800	171,523	8,064,796	8,239,556
Total Directors' Remuneration	**204,760**	**360,000**	**30,000**	**46,800**	**17,764**	**659,324**	**576,473**	**3,460,000**	**3,288,333**	**809,800**	**176,458**	**8,311,064**	**8,970,388**

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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) Subsidiary and associated companies

The relationship and outstanding balances between the Company and its subsidiary and associated companies are disclosed in Note 48 and Notes 12(c), 15, 16 and 25(b) and (c) respectively. The transactions with subsidiary companies during the year are as follows:

Transaction value with subsidiary companies	**Company** 2010 RM	2009 RM
Income:		
Interest income	(1,171,698)	-
Expense:		
Interest expenses	1,819,119	2,230,369

(d) Other related parties

	Identities	**Nature of transactions**	**Group** 2010 RM	2009 RM
(i)	PJ Development Holdings Berhad Group of Companies			
	PJD Management Services Sdn. Bhd.	Office rental and parking fees received	(732,600)	(666,240)
	Swiss Garden International Vacation Club	Office rental and parking fees received	(372,540)	(351,090)
(ii)	Dindings Consolidated Sdn. Bhd. Group of Companies			
	DC Services Sdn. Bhd.	Insurance premium paid	99,447	729,835
	Dinding Risks Management Services Sdn. Bhd.	Insurance premium paid	723,221	749,173
(iii)	OSK Property Holdings Berhad			
	OSK Property Holdings Berhad	Interest expense	447,132	303,688
	OSK Properties Sdn. Bhd.	Office rental and parking fees received	(260,730)	(180,600)

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 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.

42. UNRECOGNISED CONTRACTUAL COMMITMENTS

	Group 2010 RM	Group 2009 RM
(a) Capital commitments		
Contracted but not provided for:		
- Acquisition of office equipment	8,584,900	5,162,089
- Acquisition of machinery	4,580,000	-
- Renovation	1,856,487	-
Authorised but not contracted for:		
- Acquisition of unquoted preference shares	-	857,500
- Capital injection into a subsidiary company	-	41,950,125
(b) Non-cancellable operating lease commitments - Group as Lessee		
Future minimum rentals payable:		
- not later than one year	13,225,146	9,996,952
- later than one year and not later than five years	44,976,163	45,424,395
- more than five years	7,178,300	5,078,980
	80,400,996	**108,470,041**

Banking related commitment and contingencies are disclosed in Note 51 to the financial statements.

43. CONTINGENT LIABILITIES

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Unsecured				
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries:				
- Denominated in RM	-	-	232,382,528	181,196,232
- Denominated in HKD	-	-	45,959,200	11,039,875
- Denominated in USD	-	-	59,819,900	-
Bank guarantee provided by OSKIB to Bursa Malaysia Clearing Sdn. Bhd.	956,022	1,069,726	-	-
Bank guarantee in favour of HKFE Clearing Corporation Limited provided by OSK Futures Hong Kong Limited	1,980,765	2,207,975	-	-
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT OSK Nusadana Securities Indonesia	17,200,000	27,300,000	-	-
Bank guarantee in favour of The Central Depository Pte Ltd provided by DMG & Partners Securities Pte Ltd	4,771,800	4,880,200	-	-
Bank guarantee for lease of premises provided by DMG & Partners Securities Pte Ltd	1,234,310	1,262,349	-	-
	26,142,897	**36,720,250**	**338,161,628**	**192,236,107**

NOTES TO THE FINANCIAL STATEMENTS
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44. 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.
Loans & Financing	-	Corporate Loans, Share Margin Financing, Capital Financing and Commercial Banking Services.
Equities & Futures	-	Stockbroking & Futures Broking, Nominee Services and related services.
Wealth 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 that 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.

NOTES TO THE FINANCIAL STATEMENTS
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44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2010	Investment Banking	Loans & Financing	Equities & Futures	Wealth Manage-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
Revenue										
External parties	355,342	111,675	433,175	94,280	7,830	2,737	7,167	1,012,206	-	1,012,206
Inter segment revenue	140	1,172	14,307	1,396	12,138	46,289	100	75,542	(75,542)	-
Total	**355,482**	**112,847**	**447,482**	**95,676**	**19,968**	**49,026**	**7,267**	**1,087,748**	**(75,542)**	**1,012,206**
Results										
Profit/(loss) from operations with external parties	183,944	55,466	62,804	5,661	19,857	(45,083)	(2,440)	280,209	52,280	332,489
Add : Inter segment revenue	140	1,172	14,307	1,396	12,138	46,289	100	75,542	(75,542)	-
Less : Inter segment expenses	(128)	(504)	(15,086)	(2,361)	(116)	(781)	(599)	(19,575)	19,575	-
Profit/(loss) before funding costs	183,956	56,134	62,025	4,696	31,879	425	(2,939)	336,176	(3,687)	332,489
Less: funding costs	(122,904)	(10,672)	(9,092)	-	(1,819)	272	(12)	(144,227)	3,687	(140,540)
Segment profits/(losses)	61,052	45,462	52,933	4,696	30,060	697	(2,951)	191,949	-	191,949
Share of results after tax of associated companies	-	-	-	847	-	-	2,176	3,023	-	3,023
Profit/(loss) before tax	**61,052**	**45,462**	**52,933**	**5,543**	**30,060**	**697**	**(775)**	**194,972**	**-**	**194,972**
Income tax expense and zakat										(43,716)
Profit after tax										**151,256**
Minority interests										(33,643)
Profit attributable to owners of the Company										**117,613**

NOTES TO THE FINANCIAL STATEMENTS
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44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2010	Investment Banking, Loans, Equities & Futures	Commercial Banking	Wealth Management	Property Investment	Holding Entities	Others	Conso-lidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Tangible assets	9,200,794	193,379	33,773	262,367	36,155	9,789	9,736,257
Intangible assets	156,017	14,226	1,050	-	51,219	1,376	223,888
	9,356,811	207,605	34,823	262,367	87,374	11,165	9,960,145
Investments in associated companies	-	-	13,546	-	(193)	7,793	21,146
Segment assets	9,356,811	207,605	48,369	262,367	87,181	18,958	9,981,291
Unallocated assets							7,411
Consolidated total assets							**9,988,702**
Liabilities							
Segment liabilities	8,108,619	77,505	19,066	52,701	6,796	4,874	8,269,561
Unallocated liabilities							25,690
Consolidated total liabilities							**8,295,251**
Other information							
Capital expenditure	25,592	11,182	610	3,217	28	248	**40,877**

NOTES TO THE FINANCIAL STATEMENTS
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44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2009	Investment Banking	Loans & Finan-cing	Equities & Futures	Wealth Manage-ment	Venture Capital	Property Investment	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
Revenue											
External revenue	232,648	81,571	411,893	79,746	(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	**232,843**	**82,107**	**427,940**	**80,974**	**5,826**	**18,034**	**20,524**	**8,452**	**876,700**	**(56,332)**	**820,368**
Results											
Profit/(loss) from operations with external parties	183,308	39,680	81,074	11,424	526	(1,227)	(18,597)	1,400	297,588	27,458	325,046
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	183,431	39,656	81,378	10,471	4,757	10,422	(2,033)	832	328,914	(3,868)	325,046
Less: funding costs	(109,700)	(7,122)	(7,917)	-	-	(1,695)	(361)	-	(126,795)	3,868	(122,927)
Segment profits/(losses)	73,731	32,534	73,461	10,471	4,757	8,727	(2,394)	832	202,119	-	202,119
Share of results after tax of associated companies	-	-	-	562	(11,659)	-	-	-	(11,097)	-	(11,097)
Profit/(loss) before tax	**73,731**	**32,534**	**73,461**	**11,033**	**(6,902)**	**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 owners of the Company											**112,629**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2009	Investment Banking, Loans, Equities & Futures	Commercial Banking	Wealth 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
Investments 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**

44. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operates in five geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia and Cambodia. Revenue is based on geographical locations of business operations. Non-current assets are presented based on the geographical location of assets, which consist of Investments in associated companies, Prepaid land lease payments, Investment property, Property and equipment and Intangible assets.

The comparative segment information have been re-presented to conform with current year segments information.

	Domestic	Foreign Countries					
	Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia	Sub-Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010							
Revenue	689,181	191,982	60,602	59,632	10,809	323,025	1,012,206
Profit/(loss) before tax	137,677	58,222	(8,544)	10,431	(2,814)	57,295	194,972
Capital expenditure	22,323	2,146	1,188	4,038	11,182	18,554	40,877
Total non-current assets	531,757	2,871	5,833	6,089	16,925	31,718	563,475
2009							
Revenue	571,613	177,595	44,763	20,362	6,035	248,755	820,368
Profit/(loss) before tax	142,973	50,890	38	(1,097)	(1,782)	48,049	191,022
Capital expenditure	5,412	976	1,401	3,676	5,608	11,661	17,073
Total non-current assets	494,976	2,355	6,349	4,212	8,192	21,108	516,084

45. SIGNIFICANT EVENTS

Significant events during the year relating to changes in composition of the group is disclosed in Note 49 and status of corporate proposals announced but not completed as at reporting 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.

The winding up of BSB will not have any impact on the earnings and net assets of the Group.

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 RM10.00 each.

The above exercise is expected to be completed in 2011.

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45. SIGNIFICANT EVENTS (CONT'D)

(b) 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 ("the Act") 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 pursuant to Section 258(1) of the Act. OSKWP is a wholly-owned subsidiary company 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 company 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 winding up of OSKWP will not have any impact on the earnings and net assets of the Group.

The above exercise is expected to be completed in 2011.

46. MATERIAL SUBSEQUENT EVENTS

(a) The appointment of Mr. U Chen Hock as Chief Executive Officer and Executive Director of OSKIB

On 18 January 2011, Mr. U Chen Hock was appointed as Chief Executive Officer ("CEO") and Executive Director of OSKIB, a wholly-owned subsidiary of the Company. Mr. U succeded Mr. Ong Leong Huat, the Group Managing Director/CEO, who retires in compliance with regulatory requirments. Mr. Ong remains in the Board of OSKIB as a Non-Independent Non-Executive Director.

(b) Due diligence on a securities company in Thailand

On 18 January 2011, BFIT Securities Public Company Limited ("BSEC"), a securities company listed on the Stock Exchange of Thailand gave their permission for OSKIB to conduct a due diligence review by OSKIB, prior to commencement of negotiation for the prospective acquisition.

(c) Strategic Cooperation between Sacombank Securities Company ("Sacombank-SBS") and DMG & Partners Securities Pte Ltd ("DMG")

On 11 February 2011, DMG, a subsidiary of OSK Investment Bank Berhad, which in turn is a wholly-owned subsidiary of the Company, signed a Memorandum of Understanding on strategic cooperation with Sacombank-SBS - ("Strategic Cooperation").

The rationale of the Strategic Cooperation is aim to accomplish (i) sharing of technology, knowledge, clients and related activities that involve foreign investment in the Vietnamese stock exchange; (ii) exchanging and providing Vietnamese market research products and vice-versa; (iii) enhancing information exchange, especially focusing on in depth research of the Vietnamese market and setting up seminars to introduce Vietnamese capital markets and enterprises to foreign markets; and (iv) carrying out staff exchange programs.

The Strategic Cooperation will not have any effect on the issued and paid-up share capital of the Company. The Strategic Cooperation is not expected to have any material effect on the net assets of the Group and is expected to contribute positively to the earnings of the Group in future financial years.

47. MATERIAL LITIGATIONS

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

(a) 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.

(b) Kuala Lumpur High Court Summons No:D-22-NCC-1390-2010, Ahmad Azari bin Mohd Daud ("the Plaintiff") vs. OSK Capital Sdn Bhd ("the Defendant")

The Defendant was served with a Writ of Summons by the Plaintiff on 19 July 2010 claiming the sum of RM11,720,246.88 together with costs and interests against the Defendant. The said sum is allegedly due from the balance of auction proceeds from the sale of 222 pieces of land located in the Seremban Negeri Sembilan held on 22 February 2006. The Order for sale was made in the Seremban High Court Civil Suit No:24-882-2001 on 18 April 2005 in the suit between the Defendant and Kamal, Lokman & Mustakim Holdings Sdn Bhd.

The Defendant had on 23 July 2010 filed its Memorandum of Appearance and on 11 August 2010 filed its Defence and Counter claim. Subsequently, the Defendant had on 27 September 2010 filed an application to strike out the Plaintiff's claim and the Hearing date to hear the striking out application has been fixed on 28 February 2011.

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48. SUBSIDIARY AND ASSOCIATED COMPANIES

The proportion of voting power held is equal to proportion of ownersip interest. 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 Subsidiary/ Associated Companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2010 %	2009 %
(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 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
(b)	**Subsidiary companies of OSKIB:**				
	KE-ZAN Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders	100	100
	KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders	100	100
	OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders	100	100

48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

	Name of Subsidiary/ Associated Companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2010 %	2009 %
(b)	**Subsidiary companies of OSKIB (Cont'd):**				
	OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders	100	100
	TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders	100	100
	TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' 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 49(f)	100
	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	93.50 Note 49(k), (p)	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 and corporate finance advisory services	51	51
*	PT OSK Nusadana Securities Indonesia	Indonesia	Provision of stock and share broking services	51	51

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48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

	Name of Subsidiary/ Associated Companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2010 %	2009 %
(c)	**Subsidiary company of OSK International Investment Pte Ltd:**				
*	OSK International Asset Management Pte. Ltd.	Singapore	Fund management	100 Note 49(d)	100
(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 contracts	100	100
*	OSK Securities Hong Kong Limited	Hong Kong	Securities dealing and provision of securities margin financing	100	100
*	OSK Precious Metals Hong Kong Limited	Hong Kong	Trading of precious metal	100	100
*	OSK International Investments Hong Kong Limited	Hong Kong	Dealing in securities, provision of securities margin financing and provision of asset management services	100	100
+*	OSK (China) Investment Advisory Company Ltd	People's Republic of China	Provision of investment and business advisory and related services	100	100
*	OSK Wealth Management Hong Kong Limited	Hong Kong	Negotiating or arranging contracts of insurance	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

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48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

	Name of Subsidiary/ Associated Companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2010 %	2009 %
(f)	**Subsidiary companies of OSK-UOB Unit Trust Management Berhad:**				
	OSK Wealth Planners Sdn. Bhd. (In Members Voluntary Liquidation)	Malaysia	Provision of financial planning and related services	100	100
	OSK-UOB Islamic Fund Management Berhad	Malaysia	Offer Islamic fund services	70 Note 49(j)	70
(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 OSK Nusadana Asset Management (formerly known as PT Nusadana Aset Manajemen)	Indonesia	Investment manager	99.23	99.23
(i)	**Subsidiary company of OSK Indochina Bank Limited:**				
+#	OSK Indochina Securities Limited	Cambodia	Securities dealing and provision of securities margin financing	100 Note 49(c), (o)	-
(j)	**Subsidiary companies of KE-ZAN Holdings Berhad:**				
	KPEN Sdn. Bhd. (In Members Voluntary Liquidation)	Malaysia	Ceased operations	100 Note 49(n)	100
	K.E. Malaysian Capital Partners Sdn. Bhd. (In Members Voluntary Liquidation)	Malaysia	Ceased operations	100 Note 49(n)	100

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48. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

	Name of Subsidiary/ Associated Companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2010 %	2009 %
(k)	**Subsidiary companies of the Group:**				
	OSK Trustees Berhad	Malaysia	Professional wills and trustee services	100 Note 49(a)	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) OSK Nominees (Asing) Sdn. Berhad; and			20	-
	(v) OSK Futures And Options Sdn. Bhd.			20	-
	(vi) TCL Nominees (Tempatan) Sdn. Bhd.			-	20
	(vii) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			-	20
				100	100
	Beneficial Services Berhad (In Members Voluntary Liquidation)	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
				100	100
(l)	**Associated companies of OSKIB and of the Group:**				
*	iFast-OSK Sdn. Bhd.	Malaysia	Investment holding	42.47	49
	UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	30	30
	Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	40.05	40.05

* Audited by firms of Chartered Accountants other than Messrs. Ernst & Young.
# Audited by member firms of Chartered Accountants of Messrs. Ernst & Young Global.
\+ These subsidiary companies have not commenced operations as at 31 December 2010.

49. CHANGES IN COMPOSITION OF THE GROUP

(a) 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. Berhad. ("OSKNA") and OSK Futures And Options Sdn. Bhd. ("OSKFO") respectively

On 20 January 2010, the Group completed the Transfer to facilitate the business merger as disclosed in Note 49(l) and the shareholding in OSKT is now held equally by the following companies within the OSK Group:-

(i) the Company;
(ii) OSK Investment Bank Berhad ("OSKIB");
(iii) OSK Nominees (Tempatan) Sdn. Berhad;
(iv) OSK Nominees (Asing) Sdn. Berhad; and
(v) OSK Futures And Options Sdn. Bhd.

(b) Subscription of shares by OSKIB in OSK Indochina Bank Limited ("OSKIBL")

On 11 February 2010, OSKIB increased its investment in a wholly-owned Cambodian banking subsidiary, OSKIBL, by the subscription of additional USD12.25 million (equivalent to RM42.115 million) of registered capital of OSKIBL for business expansion. The issued and paid-up share capital of OSKIBL has been increased to RM127.377 million from RM85.262 million.

On 11 December 2010, OSKIB further increased its investment in a wholly-owned Cambodian banking subsidiary, OSKIBL, by the subscription of additional USD2.5 million (equivalent to RM7.735 million) of registered capital of OSKIBL for business expansion. The issued and paid-up share capital of OSKIBL has been increased to RM135.112 million from RM127.377 million.

(c) Incorporation of OSK Indochina Securities Limited ("OSKISL")

On 17 February 2010, OSK Indochina Bank Limited ("OSKIBL"), a wholly-owned subsidiary company of OSKIB, has incorporated a 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.

(d) Subscription of shares in OSK International Asset Management Pte Ltd ("OSKIAML") by OSK International Investments Pte Ltd ("OSKIIL")

On 22 March 2010 and 16 August 2010, OSKIIL subscribed for SGD$500,000 and SGD$1,000,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid up share capital of OSKIAML increased from SGD$1,500,000 to SGD$3,000,000.

(e) Subscription of 30,000,000 ordinary shares of RM1.00 each in OSKIB

On 7 May 2010, the Company subscribed for 30,000,000 new ordinary shares of RM1.00 each in OSKIB for a cash consideration of RM30,000,000. The issued and paid up share capital increased from 630,000,000 to 660,000,000 of RM1.00 each.

(f) Subscription of 2,500,000 shares of RM1.00 each in OSK International Asset Management Sdn. Bhd. ("OSKIAM") by OSKIB

On 7 May 2010, OSKIB subscribed for 2,500,000 new ordinary shares of RM1.00 each in OSKIAM for a cash consideration of RM2,500,000. The issued and paid up share capital increased from 4,500,000 to 7,000,000 of RM1.00 each.

(g) Subscription of 3,000,000 ordinary shares of RM1.00 each in OSK Realty Sdn Bhd ("OSKR")

On 20 May 2010, the Company subscribed for 3,000,000 new ordinary shares of RM1.00 each in OSKR for a cash consideration of RM3,000,000. The issued and paid up share capital increased from 30,000,000 to 33,000,000 of RM1.00 each.

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49. CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

(h) Subscription of 18,000,000 ordinary shares of RM1.00 each in OSK Capital Sdn Bhd ("OSKC")

On 25 May 2010, the Company subscribed for 18,000,000 new ordinary shares of RM1.00 each in OSKC for a cash consideration of RM18,000,000. The issued and paid up share capital increased from 52,000,000 to 70,000,000 of RM1.00 each.

(i) Subscription of 300,000 ordinary shares in OSK Trustees Berhad ("OSKT")

On 21 May 2010, the Company together with four wholly-owned subsidiary companies, OSKIB, OSKNT, OSKNA and OSKFO respectively subscribed for 60,000 new ordinary shares of RM10 each of which RM5 were partly paid up each in OSKT, a wholly owned subsidiary company of the Group, for its working capital purposes.

(j) Subscription of 8,399,993 shares of RM1.00 each in OSK-UOB Islamic Fund Management Berhad ("OUIFM") by OSK-UOB Unit Trust Management Berhad ("OUTM")

On 10 June 2010, the authorised share capital of OUIFM has increased from RM100,000 to RM10,000,000; and the issued and paid up share capital also increased from RM10 to RM10,000,000. OUTM, a 70%-owned subsidiary of OSKIB, which in turn is 70%-owned by the Company subscribed for 6,999,993 ordinary shares of RM1.00 each, representing 70% of the issued and paid-up capital of OUIFM for a total consideration of RM6,999,993.

On 30 December 2010, the authorised and issued and paid up share capital of OUIFM has further increased by RM2,000,000 from RM10,000,000 to RM12,000,000 of RM1.00 each. OUTM has subscribed for RM1,400,000 ordinary shares of RM1.00 each representing 70% of the increased issued and paid up capital for a total consideration of RM1,400,000.

(k) Acquisition of 3,000,000 ordinary shares of HK$1.00 each in OSK Holdings Hong Kong Limited ("OSKHhk") by OSK Investment Bank Berhad ("OSKIB") from Mr. Kenneth Or Wai Hung

On 17 June 2010, OSKIB entered into a Share Sale and Purchase Agreement with Mr. Kenneth Or Wai Hung to acquire 3,000,000 ordinary shares of HK$1.00 each ("OSKhk Shares"), representing 1.69% of the total issued and paid-up share capital of OSKHhk, for a total purchase consideration of HK$3,000,000 (equivalent to approximately RM1.28 million) in cash.

Subsequent thereto, the equity interest held by OSKIB in OSKHhk has increased from 162 million OSKHhk Shares to 165 million OSKHhk Shares or representing an increase to 92.7% from 91.01% of the total issued and paid-up share capital in OSKHhk.

(l) Business merger of nominees companies pursuant to Section 176(3) and Section 178 of the Companies Act, 1965

On 16 July 2010, pursuant to the proposed scheme of arrangement made under Section 176(3) of the Companies Act, 1965, the High Court of Malaya had sanctioned the petitions made by :

(i) OSK Nominees (Tempatan) Sdn Berhad ("OSKNT"), TCL Nominees (Tempatan) Sdn Bhd ("TCLNT") and KE-ZAN Nominees (Tempatan) Sdn Bhd ("KZNT"); and

(ii) OSK Nominees (Asing) Sdn Berhad ("OSKNA"), TCL Nominees (Asing) Sdn Bhd ("TCLNA") and Ke-Zan Nominees (Asing) Sdn Bhd ("KZNA").

The Court also granted Orders for the merger of the businesses and transfer of all assets and liabilities of TCLNT and KZNT to OSKNT and that of TCLNA and KZNA to OSKNA under Section 178 of the Companies Act, 1965.

OSKNT, TCLNT, KZNT, OSKNA, TCLNA and KZNA are all wholly-owned subsidiaries of OSK Investment Bank Berhad, which is in turn wholly-owned by OSKH. The principal activities of OSKNT, TCLNT and KZNT are to act as attorneys, nominees, agents and trustees, and to receive money, securities and property on deposit or for safe custody or management and related activities ("nominee services") for local beneficial shareholders whereas the principal activities of OSKNA, TCLNA and KZNA are to provide the nominee services to foreign beneficial shareholders.

The objective of the business merger is to gain business and operational synergies and to achieve economies of scale. The business merger completed on 1 September 2010.

49. CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

(m) Subscription of SGD$2,000,000 ordinary shares in OSK International Investment Pte Ltd ("OSKIIL") by OSKIB

On 3 August 2010, OSKIB subscribed for SGD$2,000,000 new ordinary shares in OSKIIL for additional working capital purpose. The issued and paid up share capital of OSKIIL increased from SGD$2,000,000 to SGD$4,000,000.

(n) 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. KPEN and KEMCP had ceased business operations in year 2001 and had since remained dormant. The winding up of KPEN and KEMCP are not expected to have any material impact 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.

On 21 December 2010, KEPN and KEMCP held final meetings. Pursuant to Section 272(5) of the Companies Act, 1965, the subsidiaries will be dissolved on the expiration of three (3) months from the date of lodgement of the Form 69 (Return by Liquidator Relating to final meeting) with the Companies Commission of Malaysia and Official Receiver.

(o) Approval-in-principle to OSK Indochina Securities Limited ("OSKISL") to Act as a Securities Underwriter in Cambodia

On 20 October 2010, the Securities and Exchange Commission of Cambodia ("SECC") issued the License for Securities Firm to OSKISL, a wholly-owned indirect subsidiary of the Company. The said License permits OSKISL to undertake securities underwriting business, securities dealing business, securities brokerage business and investment advisory business in Cambodia.

OSKISL is a wholly-owned subsidiary of OSK Indochina Bank Limited, which is in turn, wholly-owned by OSK Investment Bank Berhad ("OSKIB"). OSKIB is wholly-owned by the Company.

(p) Subscription of 22,000,000 ordinary shares of HK$1.00 each in OSK Holdings Hong Kong Limited ("OSKHhk") by OSK Investment Bank Berhad ("OSKIB")

On 29 October 2010, OSKIB subscribed for 22,000,000 new ordinary shares of HK$1.00 each in OSKHhk for additional working capital purpose. The issued and paid up share capital of OSKHhk increased from HK$178,000,000 to HK$200,000,000.

The equity interest held by OSKIB in OSKHhk has increased from 165 million OSKHhk Shares to 187 million OSKHhk Shares or representing an increase to 93.5% from 92.7% of the total issued and paid-up share capital in OSKHhk.

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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 statements of financial position.

(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 reporting date approximated their fair values except as set out below:

			2010		2009
	Note	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Group		RM	RM	RM	RM
Financial assets					
Securities held-to-maturity					
- bankers' acceptance and Islamic accepted bills	8(b)	9,789,310	9,790,935	12,410,168	12,410,633
- Cagamas bonds	8(b)	5,037,045	5,052,500	5,059,128	5,058,000
- Malaysian Government Investment Issue	8(b)	185,440,753	185,941,049	155,830,723	157,521,000
- Negotiable instruments of deposit	8(b)	110,000,000	110,008,062	440,000,000	440,069,194
- Private and Islamic debt securities	8(b)	352,160,051	355,110,531	410,795,524	398,954,625
Transferable golf club memberships	12	270,700	485,000	228,200	1,247,000
Financial liabilities					
Subordinated notes	27	300,000,000	317,792,500	100,000,000	96,300,000

50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

The nominal amount and net fair values of contingent liabilities not recognised in the statements of financial position of the Group and the Company at the end of the year are as disclosed in Note 43. 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 golf club membership 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.

(iv) Financial guarantees

Fair value is determined using a market based approach by identifying an equivalent market rate of financial guarantee issued for the subsidiary or another company with similar credit standing, and applying the market rate against the guaranteed amount to derive fair value of financial guarantees on initial recognition. Financial guarantees are subsequently recognised as income over the period of the guarantee. Financial guarantee liability outstanding at the reporting date relates to the guarantee income for the remaining period guaranteed.

Other than as disclosed in Notes 50(e), (f) & (g), the Group and the Company did not enter into any contract involving financial instruments with off-balance sheet risk as at the reporting date.

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

Determination of fair value and fair value hierarchy (Cont'd)

The following table shows on analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group **31 December 2010**	**Level 1** **RM**	**Level 2** **RM**	**Level 3** **RM**
Financial assets			
Securities purchased under resale agreements			
- Malaysian Government Securities	-	59,886,081	-
- Quoted shares	51,600,344	-	-
Securities held-for-trading			
- Quoted shares, exchange traded funds and warrants	298,883,190	-	-
- Trust units	1,049,202	-	-
- Unquoted debt securities	-	349,063,483	-
Securities available-for-sale			
- Bankers' acceptance and Islamic accepted bills	-	431,729,738	-
- Cagamas bonds	-	7,041,200	-
- Malaysian Government Investment Issue	-	160,620,000	-
- Malaysian Government Securities	-	610,456,272	-
- Negotiable instruments of deposit	-	80,300,307	-
- Quoted shares and warrants	9,723,543	-	-
- Trust units	9,200,060	-	-
- Unquoted debt securities	-	1,476,282,039	-
Derivative financial assets			
- Equity related contracts	-	50,707,226	-
- Commodities related contracts	10,205	-	-
- Interest rate swaps	-	37,452,606	-
- Foreign currency, forward and swap contracts	-	2,126,589	-
Financial Liabilities			
Derivative financial liabilities			
- Equity related contracts	44,830	-	-
- Commodities related contracts	8,049	-	-
- Structured warrants	141,451,557	-	-
- Structured investments	-	6,503,901	-
- Foreign currency swap contracts	-	1,740,327	-

50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

Determination of fair value and fair value hierarchy (Cont'd)

Company 31 December 2010	Level 1 RM	Level 2 RM	Level 3 RM
Financial assets			
Securities held-for-trading			
- Quoted shares, exchange traded funds and warrants	23,843,733	-	-

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative product valued using a valuation technique with significant market observable inputs are mainly interest rate swaps, over-the-counter equity related option contracts, currency swaps, forward exchange contracts and structured investments. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations and recomputation of indicative prices based on the formula stated in term sheets of structured products. The models incorporate various inputs including the credit quality of counterparties, foreign exchange and forward rates, interest rate curves and observable market prices of quoted equity securities.

Financial investments - held-for-trading, available-for-sale and unquoted debt securities

Held-for-trading and available-for-sale financial assets valued using valuation techniques or pricing models primarily consist of unquoted debt securities and money market instruments issued by the government of Malaysia or financial institutions in Malaysia.

These assets are valued using models that use both observable and un-observable data. The non-observable inputs to the models include assumptions by Bond Pricing Agency regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(e) Interest/profit rate risk

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been an average of 75 basis points higher for the Group, with all other variables held constant, the Group's profit net of tax would have been approximately RM957,000 higher, arising mainly as a result of higher interest income from loans, advances and financing and securities available-for-sale and higher interest expense from deposits and placements of banks and other financial institutions and subordinated notes. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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 reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest/profit rate risk (Contd.)

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed as follows:

	Non-trading book								
Group	**Up to 1 month**	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**	**Effective interest rate**
As at 31 December 2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	985,321	51,888	4,773	-	-	510,898	-	1,552,880	2.69
Securities purchased under resale agreements	59,886	-	-	-	-	51,600	-	111,486	2.77
Securities held-for-trading	-	-	-	-	-	-	648,996	648,996	-
Securities held-to-maturity	60,000	59,789	108,634	306,795	127,209	-	-	662,427	4.44
Securities available-for-sale	315,068	245,107	387,851	1,449,709	368,694	29,437	-	2,795,866	5.07
Derivative financial assets	-	-	-	-	-	90,297	-	90,297	-
Loans, advances and financing									
- Non-impaired	478,318	129,554	338,243	282,770	46,355	60,221	-	1,335,461	8.76
- Impaired	-	-	-	-	-	11,986	-	11,986	-
Statutory and reserve deposits with Central Banks	-	-	-	-	24,468	45,210	-	69,678	0.45
Trade receivables	31,374	-	-	-	-	2,012,547	-	2,043,921	1.88
Other assets	-	-	100	-	-	94,716	-	94,816	3.15
Other non-interest sensitive assets	-	-	-	-	-	570,888	-	570,888	-
Total Assets	**1,929,967**	**486,338**	**839,601**	**2,039,274**	**566,726**	**3,477,800**	**648,996**	**9,988,702**	
LIABILITIES									
Deposits from customers	2,190,733	1,034,555	616,665	21,995	-	8,857	-	3,872,805	3.07
Deposits and placements of banks and other financial institutions	304,357	145,193	220,136	-	-	83	-	669,769	3.09
Derivative financial liabilities	-	-	-	-	-	149,749	-	149,749	-
Trade payables	-	-	-	-	-	2,657,196		2,657,196	-
Borrowings	333,792	4,435	72,392	-	-	-	-	410,619	4.17
Subordinated notes	-	-	-	-	300,000	-	-	300,000	7.41
Other non-interest sensitive liabilities	-	-	-	-	-	235,113	-	235,113	-
Total Liabilities	**2,828,882**	**1,184,183**	**909,193**	**21,995**	**300,000**	**3,050,998**	**-**	**8,295,251**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	1,448,710	-	1,448,710	
Minority interests	-	-	-	-	-	244,741	-	244,741	
Total Equity	**-**	**-**	**-**	**-**	**-**	**1,693,451**	**-**	**1,693,451**	
Total Liabilities and Equity	**2,828,882**	**1,184,183**	**909,193**	**21,995**	**300,000**	**4,744,449**	**-**	**9,988,702**	
On-balance sheet interest sensitivity gap	(898,915)	(697,845)	(69,592)	2,017,279	266,726	(1,266,649)	648,996	-	
Off-balance sheet interest sensitivity gap	-	-	505,145	289,940	53,961	-	-	849,046	
Total Interest Sensitivity Gap	**(898,915)**	**(697,845)**	**435,553**	**2,307,219**	**320,687**	**(1,266,649)**	**648,996**	**849,046**	
Cumulative interest rate sensitivity gap	**(898,915)**	**(1,596,760)**	**(1,161,207)**	**1,146,012**	**1,466,699**	**200,050**	**849,046**	**849,046**	

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50. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest/profit rate risk (Cont'd)

Group (Cont'd)	Non-trading book								
	Up to 1 month	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**	**Effective interest rate**
As at 31 December 2009	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
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									
- Non-impaired	546,047	27,547	312,070	24,479	6,275	-	-	916,418	8.68
- Impaired	-	-	-	-	-	16,239	-	16,239	-
Statutory and reserve deposits with Central Banks	-	-	-	-	9,570	38,103	-	47,673	0.44
Trade receivables	30,822	-	-	-	-	2,617,511	-	2,648,333	0.98
Other assets	-	-	100	-	-	71,706	-	71,806	3.15
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	-
Trade payables	-	-	-	-	-	3,270,053	-	3,270,053	-
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	-	-	-	-	-	206,631	-	206,631	-
Total Liabilities	**2,975,404**	**968,962**	**696,502**	**97,613**	**100,000**	**3,536,949**	**-**	**8,375,430**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	1,287,140	-	1,287,140	
Minority interests	-	-	-	-	-	224,547	-	224,547	
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)

	Non-trading book								
Company	**Up to 1 month**	**>1-3 months**	**>3-12 months**	**>1-5 years**	**Over 5 years**	**Non-interest sensitive**	**Trading book**	**Total**	**Effective interest rate**
As at 31 December 2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	4,157	-	-	-	-	149	-	4,306	2.67
Securities held-for-trading	-	-	-	-	-	-	23,844	23,844	4.05
Other assets	13,514	-	-	-	-	1,021,133	-	1,034,647	-
Total Assets	**17,671**	**-**	**-**	**-**	**-**	**1,021,282**	**23,844**	**1,062,797**	
LIABILITIES									
Other liabilities	52,249	-	-	-	-	13,173	-	65,422	4.00
Borrowings	-	4,435	-	-	-	-	-	4,435	4.75
Other non-interest sensitive liabilities	-	-	-	-	-	686	-	686	-
Total Liabilities	**52,249**	**4,435**	**-**	**-**	**-**	**13,859**	**-**	**70,543**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	992,254	-	992,254	
Total Equity	**-**	**-**	**-**	**-**	**-**	**992,254**	-	**992,254**	
Total Liabilities and Equity	**52,249**	**4,435**	**-**	**-**	**-**	**1,006,113**	**-**	**1,062,797**	
On-balance sheet interest sensitivity gap	(34,578)	(4,435)	-	-	-	39,013	-	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	**(34,578)**	**(4,435)**	**-**	**-**	**-**	**39,013**	**-**	**-**	
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									
Equity attributable to owners of the Company	-	-	-	-	-	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**	**-**	

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 2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS							
Cash and short term funds	832,410	295,956	231,481	113,292	72,008	7,733	1,552,880
Securities purchased under resale agreements	59,886	-	-	-	51,600	-	111,486
Securities held-for-trading	270,721	112,992	8,425	249,772	7,086	-	648,996
Securities available-for-sale	2,273,855	3,182	-	503,070	15,759	-	2,795,866
Securities held-to-maturity	649,566	-	-	12,861	-	-	662,427
Derivative financial assets	28,710	16,869	1,592	43,126	-	-	90,297
Loans, advances and financing	1,064,211	121,179	60,221	51,917	49,919	-	1,347,447
Tax recoverable	6,249	-	-	-	683	-	6,932
Trade receivables	771,366	857,626	91,849	86,816	232,354	3,910	2,043,921
Other assets	64,962	11,726	7,965	4,347	5,797	19	94,816
Statutory and reserve deposits with Central Banks	45,210	-	-	24,468	-	-	69,678
Deferred tax assets	176	-	-	-	305	-	481
Investments in associated companies	21,146	-	-	-	-	-	21,146
Investment property	134,000	-	-	-	-	-	134,000
Property and equipment	156,164	2,555	4,372	-	6,090	15,260	184,441
Intangible assets	220,445	315	1,462	-	-	1,666	223,888
Total Assets	**6,599,077**	**1,422,400**	**407,367**	**1,089,669**	**441,601**	**28,588**	**9,988,702**
LIABILITIES							
Deposits from customers	3,800,666	-	-	71,896	-	243	3,872,805
Deposits and placements of banks and other financial institutions	669,376	-	-	393	-	-	669,769
Derivative financial liabilities	148,036	175	91	931	-	516	149,749
Trade payables	1,202,750	991,932	240,849	10,525	210,906	234	2,657,196
Other liabilities	170,897	16,655	8,748	3,931	9,109	83	209,423
Tax payable	6,508	13,954	-	-	3,416	-	23,878
Deferred tax liabilities	1,569	149	94	-	-	-	1,812
Borrowings	234,434	23,888	43,973	59,820	48,504	-	410,619
Subordinated notes	300,000	-	-	-	-	-	300,000
Total Liabilities	**6,534,236**	**1,046,753**	**293,755**	**147,496**	**271,935**	**1,076**	**8,295,251**
On-balance sheet open position	64,841	375,647	113,612	942,173	169,666	27,512	1,693,451
Off-balance sheet open position	505,706	20,781	930	(408,029)	(84,960)	(34,428)	-
Net open position	**570,547**	**396,428**	**114,542**	**534,144**	**84,706**	**(6,916)**	**1,693,451**

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group **As at 31 December 2009**	**Malaysian Ringgit** **RM'000**	**Singapore Dollar** **RM'000**	**Hong Kong Dollar** **RM'000**	**United States Dollar** **RM'000**	**Indonesian Rupiah** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
ASSETS							
Cash and short term funds	1,032,709	170,683	194,233	104,708	103,288	5,568	1,611,189
Deposits 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
Trade receivables	508,365	1,989,151	23,454	41,228	82,963	3,172	2,648,333
Other assets	46,760	8,991	7,503	4,091	3,819	642	71,806
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	20,368	-	-	-	-	-	20,368
Investment property	112,600	-	-	-	-	-	112,600
Property and equipment	156,130	2,033	4,499	-	4,212	6,388	173,262
Intangible assets	205,878	322	1,850	-	-	1,804	209,854
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
Trade payables	946,743	2,035,976	183,455	11,321	91,265	1,293	3,270,053
Other liabilities	151,728	11,741	4,152	3,098	3,953	738	175,410
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**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Company **As at 31 December 2010**	**Malaysian Ringgit** **RM'000**	**Singapore Dollar** **RM'000**	**Hong Kong Dollar** **RM'000**	**United States Dollar** **RM'000**	**Total** **RM'000**
ASSETS					
Cash and short term funds	4,306	-	-	-	4,306
Securities held-for-trading	10,826	-	-	13,018	23,844
Tax recoverable	5,987	-	-	-	5,987
Other assets	15,187	-	-	3,413	18,600
Investments in subsidiary companies	1,010,020	-	-	-	1,010,020
Equipment	2	-	-	-	2
Intangible assets	38	-	-	-	38
Total Assets	**1,046,366**	**-**	**-**	**16,431**	**1,062,797**
LIABILITIES					
Other liabilities	63,029	-	1,931	462	65,422
Deferred tax liabilities	686	-	-	-	686
Borrowings	4,435	-	-	-	4,435
Total Liabilities	**68,150**	**-**	**1,931**	**462**	**70,543**
On-balance sheet open position	978,216	-	(1,931)	15,969	992,254
Off-balance sheet open position	-	-	-	-	-
Net open position	**978,216**	**-**	**(1,931)**	**15,969**	**992,254**

Company **As at 31 December 2009**	**Malaysian Ringgit** **RM'000**	**Singapore Dollar** **RM'000**	**Hong Kong Dollar** **RM'000**	**United States Dollar** **RM'000**	**Total** **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**

NOTES TO THE FINANCIAL STATEMENTS
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50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Groups' profit net of tax and equity to a reasonably possible change in the United States Dollar exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	RM'000
United States Dollar strengthened by 10% against Ringgit Malaysia	
- Impact to profit after tax	42,943
- Impact to equity	13,564
United States Dollar weakened by 10% against Ringgit Malaysia	
- Impact to profit after tax	(42,943)
- Impact to equity	(13,564)

The following table demonstrates the sensitivity of the Groups' profit net of tax and equity to a reasonably possible change in the Singapore Dollar exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant:

	RM'000
Singapore Dollar strengthened by 5% against Ringgit Malaysia	
- Impact to profit after tax	8,083
- Impact to equity including minority interests	16,268
Singapore Dollar weakened by 5% against Ringgit Malaysia	
- Impact to profit after tax	(8,083)
- Impact to equity including minority interests	(16,268)

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50. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk

The following tables show the maturity analysis of the Group and of the Company's assets and liabilities. The maturity profile for loans and deposits that do not have maturity dates and fixed deposits that are frequently rolled-over, is estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

Group As at 31 December 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
ASSETS						
Cash and short term funds	1,496,219	51,888	4,773	-	-	1,552,880
Securities purchased under resale agreements	59,886	51,600	-	-	-	111,486
Securities held-for-trading	283,050	-	8,462	129,618	227,866	648,996
Securities held-to-maturity	60,000	59,789	108,634	306,795	127,209	662,427
Securities available-for-sale	330,171	245,107	387,851	1,463,878	368,859	2,795,866
Derivative financial assets	-	-	83,412	6,885	-	90,297
Loans, advances and financing	548,707	129,554	340,061	282,770	46,355	1,347,447
Other assets	2,037,727	1,674	1,979	2,641	735,282	2,779,303
Total Assets	**4,815,760**	**539,612**	**935,172**	**2,192,587**	**1,505,571**	**9,988,702**
LIABILITIES						
Deposits from customers	2,190,733	1,034,555	616,665	30,852	-	3,872,805
Deposits and placements of banks and other financial institutions	304,357	145,193	220,136	83	-	669,769
Derivative financial liabilities	-	-	149,749	-	-	149,749
Other liabilities	2,866,619	-	23,878	1,812	-	2,892,309
Borrowings	333,792	4,435	72,392	-	-	410,619
Subordinated notes	-	-	-	-	300,000	300,000
Total Liabilities	**5,695,501**	**1,184,183**	**1,082,820**	**32,747**	**300,000**	**8,295,251**
EQUITY						
Equity attributable to owners of the Company	-	-	-	-	1,448,710	1,448,710
Minority interests	-	-	-	-	244,741	244,741
Total Equity	**-**	**-**	**-**	**-**	**1,693,451**	**1,693,451**
NET MATURITY MISMATCH	**(879,741)**	**(644,571)**	**(147,648)**	**2,159,840**	**(487,880)**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

50. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Group As at 31 December 2009	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
ASSETS						
Cash and short term funds	1,499,028	102,825	9,336	-	-	1,611,189
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	50,000
Securities held-for-trading	100,849	-	49,505	49,743	3,568	203,665
Securities held-to-maturity	312,411	155,000	35,172	344,718	176,795	1,024,096
Securities available-for-sale	592,041	297,547	404,700	1,314,933	122,080	2,731,301
Derivative financial assets	-	-	19,577	17,545	-	37,122
Loans, advances and financing	546,047	27,547	328,309	24,479	6,275	932,657
Others assets	2,638,498	1,150	1,407	7,377	648,655	3,297,087
Total Assets	**5,688,874**	**634,069**	**848,006**	**1,758,795**	**957,373**	**9,887,117**
LIABILITIES						
Deposits from customers	2,725,022	933,980	616,993	79,702	-	4,355,697
Deposits and placements of banks and other financial institutions	62,850	22,482	67,009	21,881	-	174,222
Derivative financial liabilities	-	-	51,861	-	-	51,861
Other liabilities	3,445,462	-	30,198	1,024	-	3,476,684
Borrowings	187,532	12,500	12,500	4,434	-	216,966
Subordinated notes	-	-	-	-	100,000	100,000
Total Liabilities	**6,420,866**	**968,962**	**778,561**	**107,041**	**100,000**	**8,375,430**
EQUITY						
Equity attributable to owners of the Company	-	-	-	-	1,287,140	1,287,140
Minority interests	-	-	-	-	224,547	224,547
Total Equity	**-**	**-**	**-**	**-**	**1,511,687**	**1,511,687**
NET MATURITY MISMATCH	**(731,992)**	**(334,893)**	**69,445**	**1,651,754**	**(654,314)**	**-**

Company As at 31 December 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
ASSETS						
Cash and short term funds	4,306	-	-	-	-	4,306
Securities held-for-trading	6,961	-	8,462	4,556	3,865	23,844
Other assets	13,514	-	-	-	1,021,133	1,034,647
Total Assets	**24,781**	**-**	**8,462**	**4,556**	**1,024,998**	**1,062,797**
LIABILITIES						
Other liabilities	66,108	-	-	-	-	66,108
Borrowings	-	4,435	-	-	-	4,435
Total Liabilities	**66,108**	**4,435**	**-**	**-**	**-**	**70,543**
EQUITY						
Equity attributable to owners of the Company	-	-	-	-	992,254	992,254
Total Equity	**-**	**-**	**-**	**-**	**992,254**	**992,254**
NET MATURITY MISMATCH	**(41,327)**	**(4,435)**	**8,462**	**4,556**	**32,744**	**-**

50. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Company As at 31 December 2009	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
ASSETS						
Cash and short term funds	5,848	-	-	-	-	5,848
Securities held-for-trading	12,737	-	4,265	5,026	3,568	25,596
Other assets	-	-	-	-	954,947	954,947
Total Assets	**18,585**	**-**	**4,265**	**5,026**	**958,515**	**986,391**
LIABILITIES						
Other liabilities	76,058	-	-	-	-	76,058
Borrowings	-	12,500	12,500	4,435	-	29,435
Total Liabilities	**76,058**	**12,500**	**12,500**	**4,435**	**-**	**105,493**
EQUITY						
Equity attributable to owners of the Company	-	-	-	-	880,898	880,898
Total Equity	**-**	**-**	**-**	**-**	**880,898**	**880,898**
NET MATURITY MISMATCH	**(57,473)**	**(12,500)**	**(8,235)**	**591**	**77,617**	**-**

(h) Market price risk

Sensitivity analysis for equity price risk

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM3,267,000 higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Malaysia and higher/lower gains on quoted structured warrants listed on Bursa Malaysia, and the Group's available-for-sale reserve would have been approximately RM35,000 higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Malaysia.

At the reporting date, if the JSX Com Composite Index in Indonesia had been 5% higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM2,445,000 higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Indonesia.

At the reporting date, if the Hang Seng Index in Hong Kong had been 5% higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM384,000 higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Hong Kong, and the Group's available-for-sale reserve would have been approximately RM114,000 higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Hong Kong.

At the reporting date, if the NYSE Composite Index in the United States of America had been 5% higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM337,000 higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in the United States of America.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

51. COMMITMENTS AND CONTINGENCIES

The risk-weighted exposures of the Group are as follows:

	2010			2009		
	Principal amount	Credit equiva-lent* amount	Risk weighted amount	Principal amount	Credit equiva-lent* amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Obligations under underwriting agreements	24,731	12,365	12,365	255,000	127,500	25,500
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,364,219	2,322	2,322	1,315,744	2,072	2,072
- maturity exceeding one year	122,032	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	771,882	358,686	71,740	370,640	195,898	39,180
Interest rate related contracts:						
- one year to less than five years	885,973	79,270	15,854	508,167	16,002	3,200
	3,168,837	**452,643**	**102,281**	**2,449,551**	**341,472**	**69,952**

* 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB")

(a) STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	2010 RM	2009 RM
ASSETS			
Cash and short term funds	(f)	233,536,156	174,833,763
Securities held-to-maturity	(g)	300,987,994	283,835,824
Securities available-for-sale	(h)	351,630,668	372,835,222
Other assets	(i)	6,772,583	2,995,289
Equipment		18,577	20,100
Intangible assets		133,125	-
TOTAL ASSETS		**893,079,103**	**834,520,198**
LIABILITIES			
Deposits from customers	(j)	828,600,908	775,823,186
Other liabilities	(k)	3,889,656	2,964,566
Tax payable		2,578,148	1,361,209
Deferred tax liabilities		87,936	81,389
TOTAL LIABILITIES		**835,156,648**	**780,230,350**
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		50,000,000	50,000,000
Reserves		7,922,455	4,289,848
TOTAL ISLAMIC BANKING CAPITAL FUNDS		**57,922,455**	**54,289,848**
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		**893,079,103**	**834,520,198**
COMMITMENT AND CONTINGENCIES		**-**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(b) INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
Income derived from investment of depositors' funds and others	(l)	26,392,243	19,026,137
Transfer to profit equalisation reserve		(237,000)	(669,000)
Gross and total attributable income		26,155,243	18,357,137
Income attributable to depositors	(m)	(20,178,002)	(12,824,113)
Income attributable to OSKIB		5,977,241	5,533,024
Income derived from investment of Islamic banking funds		107,887	-
Total net income		6,085,128	5,533,024
Other expenses	(n)	(1,217,373)	(1,074,764)
Profit before zakat and tax expense		4,867,755	4,458,260
Income tax expense and zakat	(o)	(1,254,790)	(1,114,565)
Profit after zakat and tax expense		**3,612,965**	**3,343,695**
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		26,392,243	19,026,137
Income attributable to depositors		(20,178,002)	(12,824,113)
Income derived from investment of Islamic banking funds		107,887	-
Transfer to profit equalisation reserve		(237,000)	(669,000)
Net income from Islamic banking scheme operations reported in Group-wide income statement		**6,085,128**	**5,533,024**

(c) COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RM	2009 RM
Profit after zakat and tax expense	3,612,965	3,343,695
Other comprehensive income		
Unrealised net gain on revaluation of securities available-for-sale	75,189	325,555
Income tax relating to components of other comprehensive gain	(18,797)	(81,389)
Other comprehensive income for the year, net of tax	56,392	244,166
Total comprehensive income for the year, net of tax	**3,669,357**	**3,587,861**
Total comprehensive income attributable to owner of the OSKIB	**3,669,357**	**3,587,861**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. 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 2010

	Islamic banking fund RM	Available-for-sale reserve RM	Retained profits RM	Total RM
As at 1 January 2010				
As previously reported	50,000,000	244,166	4,045,682	54,289,848
Adoption of FRS 139	-	(36,750)	-	(36,750)
As restated	50,000,000	207,416	4,045,682	54,253,098
Total comprehensive income	-	56,392	3,612,965	3,669,357
As at 31 December 2010	**50,000,000**	**263,808**	**7,658,647**	**57,922,455**
As at 1 January 2009	50,000,000	-	701,987	50,701,987
Total comprehensive income	-	244,166	3,343,695	3,587,861
As at 31 December 2009	**50,000,000**	**244,166**	**4,045,682**	**54,289,848**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(e) STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax		4,867,755	4,458,260
Adjustment for:			
Depreciation		21,048	3,531
Operating profit before working capital changes		4,888,803	4,461,791
(Increase)/decrease in operating assets:			
Securities available-for-sale		21,230,743	(372,509,667)
Securities held-to-maturity		(17,152,170)	(80,878,373)
Other assets		(3,777,294)	(2,131,143)
Statutory deposit with Bank Negara Malaysia		-	3,410
Increase in operating liabilities:			
Deposits from customers		52,739,871	322,822,593
Other liabilities		925,090	1,744,629
Net cash generated from/(used in) operating activities		58,855,043	(126,486,760)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of equipment		(2,650)	(2,770)
Purchase of intangible assets		(150,000)	-
Net cash used in investing activities		(152,650)	(2,770)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS		58,702,393	(126,489,530)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		174,833,763	301,323,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	(f)	**233,536,156**	**174,833,763**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(f) CASH AND SHORT TERM FUNDS

	2010 RM	2009 RM
Current account with Bank Negara Malaysia	36,156	33,763
Money at call and deposit placements maturity within one month:		
Licensed banks	220,500,000	58,800,000
Bank Negara Malaysia	13,000,000	116,000,000
	233,536,156	**174,833,763**

(g) SECURITIES HELD-TO-MATURITY

	2010 RM	2009 RM
At amortised cost		
Money market instruments:		
Islamic accepted bills	-	12,410,168
Cagamas bonds	5,037,045	5,059,128
Government Investment Issue	165,360,845	155,830,723
	170,397,890	173,300,019
Unquoted debt securities:		
Islamic private debt securities	130,590,104	110,535,805
	300,987,994	**283,835,824**

The maturity structure of above securities are as follows:

	2010 RM	2009 RM
Within one year	55,219,480	42,566,836
Two to five years	207,040,436	197,656,657
More than five years	38,728,078	43,612,331
	300,987,994	**283,835,824**

(h) SECURITIES AVAILABLE-FOR-SALE

	2010 RM	2009 RM
At fair value		
Money market instruments:		
Islamic accepted bills	64,526,161	197,145,159
Malaysian Government Investment Issue	25,323,500	-
Negotiable instruments of deposit	49,925,893	99,906,746
	139,775,554	297,051,905
Unquoted debt securities:		
Islamic private debt securities	211,855,114	75,783,317
	351,630,668	**372,835,222**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(i) OTHER ASSETS

	2010 RM	2009 RM
Income receivable	**6,772,583**	**2,995,289**

(j) DEPOSITS FROM CUSTOMERS

	2010 RM	2009 RM
(i) By type of deposit		
Mudharabah Fund		
Mudharabah general investment deposits	**828,600,908**	**775,823,186**
(ii) By type of customer		
Government and statutory bodies	442,797,837	292,396,357
Domestic non-bank institutions *	281,891,154	361,644,315
Business enterprises	103,911,917	121,782,514
	828,600,908	**775,823,186**

* 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 OSKIB.

(k) OTHER LIABILITIES

	2010 RM	2009 RM
Income payable	2,797,961	1,950,434
Profit equalisation reserve #	996,000	759,000
Other payable	95,695	255,132
	3,889,656	**2,964,566**

	2010 RM	2009 RM
# Profit equalisation reserve		
At beginning of the year	759,000	90,000
Provided	237,000	669,000
At end of year	**996,000**	**759,000**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(l) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2010 RM	2009 RM
Income from general investment deposits	**26,392,243**	**19,026,137**
Analysed as:		
Finance income and hibah		
Securities available-for-sale	5,058,229	1,336,939
Securities held-to-maturity	10,364,862	9,495,751
Deposit with financial institutions	4,636,410	3,965,120
Accretion of discount		
- Securities available-for-sale	6,022,006	2,353,078
- Securities held-to-maturity	310,736	1,875,249
	6,332,742	4,228,327
	26,392,243	**19,026,137**

(m) INCOME ATTRIBUTABLE TO DEPOSITORS

	2010 RM	2009 RM
Deposits from customers and financial institutions		
- Mudharabah Fund	**20,178,002**	**12,824,113**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(n) OTHER OPERATING EXPENSES

	2010 RM	2009 RM
(i) Personnel costs		
Salaries, wages, allowances and bonus	774,656	551,048
Pension costs - defined contribution plan	93,044	66,144
Other staff related expenses	17,272	18,309
	884,972	**635,501**
(ii) Establishment costs		
Depreciation	21,048	3,531
Rental	22,504	3,512
Insurance	(6,188)	2,588
Repairs and maintenance	1,487	1,257
Utility expenses	1,140	-
Others	233	-
	40,224	**10,888**
(iii) Marketing and trading expenses		
Advertisement and promotions	-	6,760
Fees and charges	35,567	33,587
Travelling expenses	9,797	1,263
Business development expenses	-	3,482
Subscriptions	42,438	64,167
Deposit insurance	-	158,903
	87,802	**268,162**
(iv) Administration and general expenses		
Communication expenses	4,265	4,398
Printing and stationery	3,956	3,102
Administrative	196,154	152,713
	204,375	**160,213**
Total other operating expenses	**1,217,373**	**1,074,764**
Included in other operating expenses are:-		
Shariah committee members' fees and remuneration	**159,000**	**141,000**

(o) INCOME TAX EXPENSE AND ZAKAT

	2010 RM	2009 RM
Current year income tax expense	(1,216,939)	(1,114,565)
Zakat	(37,851)	-
	(1,254,790)	**(1,114,565)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

53. RECLASSIFICATION OF SECURITIES

During the prior financial years, 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 held-for-trading category and are permissible from 1 July 2008 until 31 December 2009.

On 15 September 2009, FRS 139 was amended to allow for the reclassification of securities AFS to amortised cost category (i.e. securities held-to-maturity ("HTM") or loan and receivables) if the entity has the intention and ability to hold the financial asset until maturity for the foreseeable future. FRS 139 was also amended to allow reclassification out of HFT category in rare circumstances, subjects to the conditions stated in FRS 139.

A banking subsidiary had reclassified certain securities AFS to HTM category and certain securities HFT to AFS category in prior years 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**

(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 year) are as follows:

		2010 RM'000	2009 RM'000
(i)	Securities AFS reclassified to securities HTM		
	- Carrying value	**126,256**	**238,227**
	- Fair value	**119,881**	**217,230**
(ii)	Securities HFT reclassified to securities AFS		
	- Carrying value	**42,312**	**42,216**
	- Fair value	**42,312**	**42,216**

(c) Fair value loss recognised

	2010 RM'000	2009 RM'000
Income Statement		
Impairment loss on securities HTM	**(6,844)**	**-**
Statement of Changes in Equity		
AFS reserve	**803**	**(1,005)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

53. RECLASSIFICATION OF SECURITIES (CONT'D)

(d) Effective interest rate and estimated amounts of cash flows as at dates of reclassification

	Effective interest rate %	Estimated 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**

54. CAPITAL MANAGEMENT

Capital is equivalent to equity attributable to the owners of the Company. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group maintains a capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) in respect of OSKIB and those adopted by Bank Negara Malaysia in supervising OSKIB.

As disclosed in Note 13(b), OSKIBL, a Cambodia banking subsidiary of OSKIB is required by the National Bank of Cambodia to maintain a refundable statutory deposit of 10% of registered capital as capital guarantee, which is not available for use in OSKIBL's day-today operations. In addition, as disclosed in Note 55(a)(ii), OSKIBL also required to maintain a minimum regulatory solvency ratio, which is the ratio of their net worth to their aggregate credit risk exposure, of not less than 15.0%. This externally imposed capital requirements have been complied with by OSKIBL for the financial years ended 31 December 2010 and 31 December 2009.

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Borrowings	26	410,619,104	216,966,400	4,434,500	29,434,500
Subordinated notes	27	300,000,000	100,000,000	-	-
Total debts		**710,619,104**	**316,966,400**	**4,434,500**	**29,434,500**
Equity attributable to the owners of the company		1,448,710,145	1,287,140,014	992,254,033	880,897,642
Total capital		**1,448,710,145**	**1,287,140,014**	**992,254,033**	**880,897,642**
Capital and debts		**2,159,329,249**	**1,604,106,414**	**996,688,533**	**910,332,142**

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY

The capital base and risk weighted assets ("RWA"), as set out below for OSKIB group are disclosed in accordance with Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia.

As required by Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), the RWCAF framework applies to OSKIB, a bank that is incorporated in Malaysia and offers Islamic financial services and is involved in Islamic banking operations.

For the purpose of consolidation for financial reporting, the OSKIB Group has included results of OSKIB and its subsidiary companies (as disclosed in Note 44) which involved in securities or stockbroking firms, fund management companies, asset management companies and other similar business. The subsidiary companies are fully consolidated in OSKIB Group's financial statements.

For the purpose of consolidation for regulatory reporting, the OSKIB Group has also included results of OSKIB and all its subsidiary companies, including subsidiaries that are involved in securities or stockbroking firms, fund management companies, asset management companies and other similar business that must be included in consolidation for regulatory reporting.

Other than the need to obtain regulatory approval for any material injection of capital or advances to/from subsidiary companies in order to ensure capital adequacy of OSKIB and certain banking and stockbroking subsidiary companies that are subject to local capital adequacy requirements, there is no restrictions or other major impediments on transfer of funds or regulatory capital within the OSKIB Group.

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"), OSKIB group and OSK Investment Bank (Labuan) Limited ("OSKL") 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 ^	
	2010	**2009**	**2010**	**2009**
Before deducting proposed dividends:				
Core capital ratio	27.12%	27.85%	24.58%	22.58%
Risk weighted capital ratio	34.22%	30.56%	24.58%	22.58%
After deducting proposed dividends:				
Core capital ratio	27.12%	26.97%	24.58%	21.21%
Risk weighted capital ratio	34.22%	29.68%	24.58%	21.21%

^ 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 investments 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.

In assessing the adequacy of its internal capital levels to support current and future activities, the Bank ensures that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (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:

	OSKIB Group		OSKIB	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Issued and fully paid share capital	660,000	630,000	660,000	630,000
Retained profits	155,771	153,275	54,046	69,774
Statutory reserve	228,992	206,078	228,992	206,078
Tier 1 minority interests	245,759	225,185	-	-
	1,290,522	1,214,538	943,038	905,852
Less: Goodwill	(92,889)	(99,959)	(46,516)	(46,516)
Deferred tax assets	(481)	(2,860)	-	(1,041)
Tier I capital	**1,197,152**	**1,111,719**	**896,522**	**858,295**
Loans, advances and financing				
- Collective impairment	13,138	-	12,315	-
- General allowance	-	8,179	-	7,630
Maximum allowance subordinated debt capital	300,000	100,000	300,000	100,000
Tier II capital	**313,138**	**108,179**	**312,315**	**107,630**
Total capital	1,510,290	1,219,898	1,208,837	965,925
Less: Investments in subsidiary companies	-	-	(455,487)	(381,907)
Capital base	**1,510,290**	**1,219,898**	**753,350**	**584,018**

The capital adequacy ratios of OSKIB Group consist of capital base and RWA derived from consolidated balances of OSKIB and it's 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% (2009: 8.0%) for the risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (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	
	2010	**2009**
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	93.30%	69.31%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	93.30%	69.31%

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.

(iii) The capital adequacy ratios and capital base of the wholly owned subsidiary of OSKH, OSK Investment Bank (Labuan) Limited ("OSKL"), are as follows:

	OSKL	
	2010	**2009**
Before deducting proposed dividends:		
Core capital ratio	60.30%	179.00%
Risk weighted capital ratio	60.30%	179.00%
After deducting proposed dividends:		
Core capital ratio	60.30%	179.00%
Risk weighted capital ratio	60.30%	179.00%

The capital adequacy ratios of OSKL for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier 1 capital ratio and risk-weighted capital ratio respectively.

NOTES TO THE FINANCIAL STATEMENTS
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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk

2010

OSKIB Group

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	1,271,766	1,271,766	-	-
Banks, development financial institutions and multilateral development banks	2,650,318	2,650,318	665,938	53,275
Insurance companies, securities firms and fund managers	71,388	71,388	14,277	1,142
Corporates	2,323,430	1,691,152	1,024,394	81,951
Other assets	280,897	280,897	280,897	22,472
Total on-balance sheet exposures	6,597,799	5,965,521	1,985,506	158,840
Off-Balance Sheet Exposures:				
Over-the-counter ("OTC") derivatives	123,717	123,717	27,182	2,175
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	439,804	439,804	152,858	12,229
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	563,521	563,521	180,040	14,404
Total on and off-balance sheet exposures	7,161,320	6,529,042	2,165,546	173,244
(ii) Large exposures risk requirement	44	44	44	-

(iii) Market risk	Long Position RM'000	Short Position RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
Interest rate risk	520,240	211,892	362,019	28,962
Foreign currency risk	668,121	-	668,120	53,450
Equity risk	79,233	-	214,295	17,144
Option risk	107,114	-	34,060	2,725
Total	1,374,708	211,892	1,278,494	102,281
(iv) Operational risk			969,816	77,585
(v) Total RWA and capital requirements			**4,413,900**	**353,110**

NOTES TO THE FINANCIAL STATEMENTS
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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)

2009

OSKIB Group

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
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
Off-Balance Sheet Exposures:				
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	-

	Long Position RM'000	Short Position RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(iii) Market risk				
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**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)

2010

OSKIB

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	1,205,533	1,205,533	-	-
Banks, development financial institutions and multilateral development banks	2,043,039	2,043,039	545,687	43,655
Insurance companies, securities firms and fund managers	71,388	71,388	14,277	1,142
Corporates	2,006,285	1,606,121	939,363	75,149
Other assets	229,359	229,359	229,359	18,349
Total on-balance sheet exposures	5,555,604	5,155,440	1,728,686	138,295
Off-Balance Sheet Exposures:				
Over-the-counter ("OTC") derivatives	123,717	123,717	27,182	2,175
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	433,995	433,995	147,049	11,764
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	557,712	557,712	174,231	13,939
Total on and off-balance sheet exposures	6,113,316	5,713,152	1,902,917	152,234
(ii) Large exposures risk requirement	44	44	44	-

(iii) Market risk	Long Position RM'000	Short Position RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
Interest rate risk	520,240	211,892	362,019	28,962
Foreign currency risk	202,989	(189)	202,992	16,239
Equity risk	7,373	-	17,462	1,397
Option risk	107,114	-	34,060	2,725
Total	837,716	211,703	616,533	49,323
(iv) Operational risk			545,109	43,609
(v) Total RWA and capital requirements			**3,064,603**	**245,166**

OSKIB Group and OSKIB do not have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (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				
On-Balance Sheet Exposures:				
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
Off-Balance Sheet Exposures:				
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 RM'000	Short Position RM'000	Risk-Weights Assets RM'000	Capital Requirements RM'000
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.

NOTES TO THE FINANCIAL STATEMENTS
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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights

2010

OSKIB Group

	Exposures after Netting and Credit Risk Mitigation						
Risk Weights	**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**	**Total Risk Weighted Assets**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
0%	1,271,766	6,086	-	-	-	1,277,852	-
20%	-	2,726,717	107,620	803,407	-	3,637,744	727,549
35%	-	-	-	-	-	-	-
50%	-	294,704	8,131	131,592	-	434,427	217,213
75%	-	-	-	-	-	-	-
100%	-	60,850	-	753,743	280,897	1,095,490	1,095,490
150%	-	-	-	83,529	-	83,529	125,294
Total	**1,271,766**	**3,088,357**	**115,751**	**1,772,271**	**280,897**	**6,529,042**	**2,165,546**
Risk weighted assets by exposure	**-**	**753,545**	**25,590**	**1,105,514**	**280,897**	**2,165,546**	
Average risk weight	**0%**	**24%**	**22%**	**62%**	**100%**	**33%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2009

OSKIB Group

	Exposures after Netting and Credit Risk Mitigation						
Risk Weights	**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**	**Total Risk Weighted Assets**
	RM'000	**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	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2010

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	RM'000
0%	1,205,533	66	-	-	-	1,205,599	-
20%	-	2,125,457	107,620	803,407	-	3,036,484	607,297
35%	-	-	-	-	-	-	-
50%	-	294,704	8,131	131,592	-	434,427	217,213
75%	-	-	-	-	-	-	-
100%	-	60,850	-	662,904	229,359	953,113	953,113
150%	-	-	-	83,529	-	83,529	125,294
Total	**1,205,533**	**2,481,077**	**115,751**	**1,681,432**	**229,359**	**5,713,152**	**1,902,917**
Risk weighted assets by exposure	**-**	**633,293**	**25,590**	**1,014,675**	**229,359**	**1,902,917**	
Average risk weight	**0%**	**26%**	**22%**	**60%**	**100%**	**33%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2009

OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation						
	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	Total Risk Weighted Assets
	RM'000	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	**-**	**-**	**-**	**-**	**-**	**-**	

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(d) Rated exposures

2010
OSKIB Group

RM'000	Sovereigns/ Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total	
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Total Risk Weighted Assets
Investment Grade (BBB* equivalent and above)	1,271,766	-	3,027,507	692,695	115,751	25,590	934,999	226,477	-	-	5,350,023	944,762
Non Rated and Non Investment Grade	-	-	60,850	60,850	-	-	837,272	879,037	280,897	280,897	1,179,019	1,220,784
Total	**1,271,766**	**-**	**3,088,357**	**753,545**	**115,751**	**25,590**	**1,772,271**	**1,105,514**	**280,897**	**280,897**	**6,529,042**	**2,165,546**

* The rating of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

2010
OSKIB

RM'000	Sovereigns/ Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total	
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Total Risk Weighted Assets
Investment Grade (BBB* equivalent and above)	1,205,533	-	2,420,227	572,443	115,751	25,590	934,999	226,477	-	-	4,676,510	824,510
Non Rated and Non Investment Grade	-	-	60,850	60,850	-	-	746,433	788,198	229,359	229,359	1,036,642	1,078,407
Total	**1,205,533**	**-**	**2,481,077**	**633,293**	**115,751**	**25,590**	**1,681,432**	**1,014,675**	**229,359**	**229,359**	**5,713,152**	**1,902,917**

* The rating of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk

2010

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	24,731		12,365	12,365
Foreign exchange related contracts				
One year or less	771,882	2,127	358,686	71,740
Interest/profit rate related contracts				
Over one year to five years	885,973	37,452	79,270	15,854
Equity related contracts				
One year or less	1,932	10	1,932	1,932
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	164,854	50,707	44,448	11,329
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	133,640		66,820	66,820
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	1,352,610		-	-
Total	**3,335,622**	**90,296**	**563,521**	**180,040**

NOTES TO THE FINANCIAL STATEMENTS
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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)

2009

OSKIB Group

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 over 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**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)

2010

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	24,731		12,365	12,365
Foreign exchange related contracts				
One year or less	771,882	2,127	358,681	71,735
Interest/profit rate related contracts				
Over one year to five years	885,973	37,452	79,270	15,854
Equity related contracts				
One year or less	1,932	-	1,932	1,932
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	164,854	50,707	44,448	11,329
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	122,032		61,016	61,016
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	426,491		-	-
Total	**2,397,895**	**90,286**	**557,712**	**174,231**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(e) 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 over 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**

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN BANKING SUBSIDIARY (CONT'D)

(f) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	OSKIB Group		OSKIB	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest rate risk				
- General interest rate risk	12,606	4,460	12,606	3,320
- Specific interest rate risk	16,356	2,979	16,356	2,979
	28,962	7,439	28,962	6,299
Equity position risk				
- General risk	6,339	1,297	589	439
- Specific risk	10,805	1,989	808	658
	17,144	3,286	1,397	1,097
Foreign exchange risk	53,450	55,017	16,239	23,267
Option risk	2,725	2,296	2,725	2,296
	102,281	**68,038**	**49,323**	**32,959**

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB

The capital base and risk weighted assets ("RWA"), as set out below are disclose in accordance with Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia.

(i) Risk weighted capital ratios and Tier I and Tier II capital

The capital adequacy ratios and capital base are as follows:

	2010	**2009**
Before deducting proposed dividends:		
Core capital ratio	40.02%	53.94%
Risk weighted capital ratio	40.02%	53.94%
After deducting proposed dividends:		
Core capital ratio	40.02%	53.94%
Risk weighted capital ratio	40.02%	53.94%
	RM'000	**RM'000**
Islamic banking funds	50,000	50,000
Reserve	7,659	4,046
	57,659	**54,046**

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% (2009: 8.0%) for the risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk

2010

Islamic banking operations of the OSKIB **Exposure class**	**Gross Exposures RM'000**	**Net Exposures RM'000**	**Risk-Weights Assets RM'000**	**Capital Requirements RM'000**
(a) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	256,405	256,405	-	-
Banks, development financial institutions and multilateral development banks	360,179	360,179	75,054	6,004
Corporates	275,639	275,639	59,862	4,789
Other assets	1,019	1,019	1,019	82
Total on-balance sheet exposures	893,242	893,242	135,935	10,875
Off-Balance Sheet Exposures:				
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	893,242	893,242	135,935	10,875
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			8,132	651
(e) Total RWA and capital requirements			**144,067**	**11,526**

The Islamic banking operations of OSKIB does not has any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk (Cont'd)

2009

Islamic banking operations of the OSKIB **Exposure class**	**Gross Exposures** **RM'000**	**Net Exposures** **RM'000**	**Risk-Weights Assets** **RM'000**	**Capital Requirements** **RM'000**
(a) Credit risk				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	378,049	378,049	-	-
Banks, development financial institutions and multilateral development banks	309,462	309,462	61,892	4,951
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
Off-Balance Sheet Exposures:				
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 2010

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iii) Credit risk exposures by risk weights

2010

Islamic banking operations of the OSKIB

	Exposures after Netting and Credit Risk Mitigation						
Risk Weights	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	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	256,405	-	-	-	-	256,405	-
20%	-	350,119	-	269,721	-	619,840	123,969
35%	-	-	-	-	-	-	-
50%	-	10,060	-	-	-	10,060	5,029
75%	-	-	-	-	-	-	-
100%	-	-	-	5,918	1,019	6,937	6,937
150%	-	-	-	-	-	-	-
Total	**256,405**	**360,179**	**-**	**275,639**	**1,019**	**893,242**	**135,935**
Risk weighted assets by exposure	**-**	**75,054**	**-**	**59,862**	**1,019**	**135,935**	
Average risk weight	**0%**	**21%**	**0%**	**22%**	**100%**	**15%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iii) Credit risk exposures by risk weights (Cont'd)

2009

Islamic banking operations of the OSKIB

	Exposures after Netting and Credit Risk Mitigation						
Risk Weights	**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**	**Total Risk Weighted Assets**
	RM'000	**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 exposure	**-**	**61,892**	**-**	**31,791**	**24**	**93,707**	
Average risk weight	**0%**	**20%**	**0%**	**22%**	**100%**	**11%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iv) Rated exposures

Islamic banking operation of OSKIB

	Sovereigns/ Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total	
RM'000	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Total Risk Weighted Assets
Investment Grade (BBB* equivalent and above)	256,405	-	360,179	75,054	-	-	269,721	53,944	-	-	886,305	128,998
Non Rated and Non Investment Grade	-	-	-	-	-	-	5,918	5,918	1,019	1,019	6,937	6,937
Total	**256,405**	**-**	**360,179**	**75,054**	**-**	**-**	**275,639**	**59,862**	**1,019**	**1,019**	**893,242**	**135,935**

* The rating of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(v) Off-balance sheet exposures and counterparty credit risk

As at 31 December 2010, the Islamic banking operations of OSKIB do not have any off-balance sheet exposures and their related counterparty credit risk.

(vi) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	2010 RM'000	2009 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	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

57. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group 2010 RM'000	Company 2010 RM'000
Total retained profits of the Company and its subsidiary companies		
- Realised	250,438,304	56,998,800
- Unrealised	116,018,309	2,050,075
	366,456,613	59,048,875
Total share of retained profits from associated companies		
- Realised	11,194,842	-
- Unrealised	-	-
	377,651,455	59,048,875
Less : consolidation adjustments	(69,047,672)	-
	308,603,783	**59,048,875**

Comparative figures are not required in the first year of implementation of Bursa Securities's directives.

LIST OF PROPERTIES
31 DECEMBER 2010

	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	26 years	92,673
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	15 years	641
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	16 years	7,445
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	7 years	3,623
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	13 years	222
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	24 years	638
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	31 years	2,397

LIST OF PROPERTIES
31 DECEMBER 2010

	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	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	-	134,000
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.3r.10p	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	Land at 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	Building under reconstruction	-	1,584
12	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	7 years	3,753
13	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	6 years	681
14	Perdana Avenue Lot 106 Sek 20 & Lot 107 Sek 20 Bandar Kuatan, Daerah Kuantan, Pahang Darul Makmur	Lot 106 (10177) PT 32834 HS(D) 10883 & Lot 107 (10178) PT 32833 HS(D) 10882 Sek 20. Bandar Kuatan, Daerah Kuantan, Pahang Darul Makmur	Freehold	260 square metres	3 May 2007	Office	4 years	2,067
15	119, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	H.S.(D): 372305 PTD NO:67727 Mukim Pulai, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	3 years	967

LIST OF PROPERTIES
31 DECEMBER 2010

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE RM'000
16	121, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	H.S.(D) 372306 PTD NO:67728, Mukim Pulai, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	3 years	967
17	Taman Molek, Johor Bahru, Johor Darul Takzim	3 storey shop office situated on HS(D) 456681, PTD 199957(also known as PTD 189541 Plot 13) Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Freehold	230.4 square metres	29 June 2007	Office	2 years	1,498
18	Taman Molek, Johor Bahru, Johor Darul Takzim	3 storey shop office situated on HS(D) 456682 PTD 199958 (also known as PTD 189541 Plot 14) Mukim Plentong, District of Johor Bahru, Johor Darul Takzim	Freehold	178.37 square metres	29 June 2007	Office	2 years	987
19	No. 13, Jalan Kenari 3, Bandar Puchong Jaya, 47100 Petaling Jaya, Selangor	3½ storey shop office situated on HS(M) 21261, PT 17282, Tempat: BT 10, Jalan Puchong, Mukim Petaling, Daerah Petaling, Negeri Selangor	Freehold	167 square metres	14 May 2010	Office	5 years	1,743

STATEMENT OF DIRECTORS' INTERESTS
AS AT 3 MARCH 2011

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	16,225,000	1.73	-	-
2. Ong Leong Huat	285,951,158	30.47	*16,578,988	1.77
3. Wong Chong Kim	1,406,658	0.15	**931,117	0.10

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 interest held by his spouse.

Name of Director	Number of Options over Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat	1,500,000	n.a.	-	-
2. Wong Chong Kim	800,000	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.

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 3 March 2011.

STATEMENT OF SHAREHOLDINGS
AS AT 3 MARCH 2011

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM938,317,461 (excluding the treasury shares 24,151,412)
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	2,496	9.06	99,497	0.01
100 — 1,000	1,710	6.21	920,630	0.10
1,001 — 10,000	17,666	64.14	69,608,718	7.42
10,001 — 100,000	5,151	18.70	139,851,484	14.90
100,001 — 43,437,656*	517	1.88	449,885,974	47.95
43,437,566 and above **	2	0.00	277,951,158	29.62
	27,542	**100.00**	**938,317,461**	**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	285,951,158	30.47	-	-

THIRTY LARGEST REGISTERED HOLDERS

Name	No. of Shares	%
1. Ong Leong Huat	224,951,158	23.97
2. UOBM Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ong Leong Huat	53,000,000	5.65
3. Citigroup Nominees (Asing) Sdn. Bhd. JP Morgan CLR Corp for Third Avenue Global Value Fund LP	20,734,700	2.21
4. Lee Sui Hee	19,200,000	2.05
5. HSBC Nominees (Asing) Sdn. Bhd. TNTC for Saudi Arabian Monetary Agency	16,403,200	1.75
6. Dato' Nik Mohamed Din bin Datuk Haji Nik Yusoff	16,225,000	1.73
7. Cartaban Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds ASEAN	9,953,600	1.06
8. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Pengerang Jaya Pte Ltd	9,504,533	1.01

STATEMENT OF SHAREHOLDINGS
AS AT 3 MARCH 2011

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name		No. of Shares	%
9.	Koperasi Permodalan FELDA Malaysia Berhad	9,325,500	0.99
10.	Khor Chai Moi	9,103,993	0.97
11.	Wong Chong Ngin	8,368,000	0.89
12.	HSBC Nominees (Tempatan) Sdn. Bhd. AA Noms SG for Ong Leong Huat	8,000,000	0.85
13.	Public Nominees (Tempatan) Sdn. Bhd. Pledged securities account for PJ Equity Sdn. Bhd. (PIVB)	7,167,053	0.76
14.	HSBC Nominees (Asing) Sdn. Bhd. Best Investment Corporation	7,032,875	0.75
15.	Nora Ee Siong Chee	6,625,000	0.71
16.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	6,549,647	0.70
17.	Dato' Nik Mohamed bin Nik Yahya	6,376,013	0.68
18.	Wong Chong Che	6,219,947	0.66
19.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JY Ltd	6,198,373	0.66
20.	Chin Cheng Mei	6,154,147	0.66
21.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YS Ltd	6,134,041	0.65
22.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YM Ltd	6,057,068	0.65
23.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YC Ltd	5,999,613	0.64
24.	Cartaban Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds Malaysia	5,627,125	0.60
25.	Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund BZ52 for Levitt Capital Management, LLC	5,222,300	0.56
26.	Citigroup Nominess (Asing) Sdn. Bhd. GSCO for Truffle Hound Global Value, LLC	5,070,000	0.54
27.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for the Bank of New York Mellon SA/NV (Amex-Foreign)	5,062,500	0.54
28.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JX Ltd	4,815,038	0.51
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Pengerang Jaya Pte Ltd (JRC)	4,685,840	0.50
30.	Permodalan Nasional Berhad	4,631,943	0.49

OSK HOLDINGS BERHAD (207075-U)
(Incorporated in Malaysia)

FORM OF PROXY

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 Twenty-First Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 13 April 2011 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 2010 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 2010.	1		
3.	To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2010.	2		
4.	To re-elect Dato' Abdul Majit Bin Ahmad Khan as Director pursuant to Article 102(1) of the Company's Articles of Association.	3		
5.	To re-elect Mr Foo San Kan 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 of Authority to Purchase Own Shares	8		
10.	Proposed Amendments to Articles of Association	9		

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 ______________ 2011

____
*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.

OSK Holdings Berhad (207075-U)

20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur, Malaysia.	Tel : (603) 2333 8333 Fax : (603) 2175 3220

www.oskgroup.com