OSK Holdings

ANNUAL REPORT 2011

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 10 April 2012 at 10.00 a.m. to transact the following business:-

A G E N D A

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2011 and the Reports of Directors and Auditors thereon. **(Please refer to Explanatory Note (i))**

2. To sanction the declaration of a final dividend of 2.0 sen per share less income tax of 25% in respect of the financial year ended 31 December 2011. **Ordinary Resolution 1**

3. To approve the distribution of one (1) treasury share for every forty (40) existing ordinary shares of RM1.00 each held in the Company, fraction of a treasury share to be disregarded, in respect of the financial year ended 31 December 2011. **Ordinary Resolution 2**

4. To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2011. **Ordinary Resolution 3**

5. 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) Dr. Ngo Get Ping **Ordinary Resolution 4**

   (b) Mr. Wong Chong Kim **Ordinary Resolution 5**

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. **Ordinary Resolution 6**

AS SPECIAL BUSINESS

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

7. **AUTHORITY TO ISSUE SHARES** **Ordinary Resolution 7**

   "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."

NOTICE OF ANNUAL GENERAL MEETING

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** **Ordinary Resolution 8**

"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 19 March 2012, 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."

9. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL")** **Ordinary Resolution 9**

"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 RM19.20 million for the financial year ended 31 December 2011 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."

NOTICE OF ANNUAL GENERAL MEETING

10. **SPECIAL RESOLUTION**
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS") **Special Resolution**

"THAT, the amendments to the Articles of Association of the Company as set out in Part A (II) of the Circular to Shareholders dated 19 March 2012 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."

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

NOTICE OF DIVIDEND PAYMENT AND DISTRIBUTION OF TREASURY SHARES

Notice is hereby given that the final dividends of 2.0 sen per ordinary share less 25% income tax and distribution of one (1) treasury share for every forty (40) existing ordinary shares of RM1.00 each held in the Company for the year ended 31 December 2011, if approved by the shareholders at the Twenty-Second Annual General Meeting, will be payable and credited on 15 May 2012 to shareholders whose names appear in the Register of Members and Record of Depositors on 25 April 2012.

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 23 April 2012 (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 25 April 2012 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.

Remarks :-

The treasury shares are expected to be credited into the entitled shareholders' Central Depository System accounts maintained with Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") on 15 May 2012, subject to the approval of the Bursa Depository.

By Order of the Board

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

Company Secretaries

Kuala Lumpur
19 March 2012

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 April 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

2. 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. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

3. 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.

4. 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.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. 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.

7. Explanatory Notes

   (i) 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.

   (ii). Ordinary Resolution 7 – 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.

   (iii) Ordinary Resolution 8 – 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 19 March 2012 for further information.

   (iv) Ordinary Resolution 9 – 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 19 March 2012 for further information.

   (v) Special Resolution – Proposed Amendments

   The proposed amendments to the Articles of Association of the Company are to comply with the amendments made on Chapter 7 of Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Appointment of Multiple Proxies by an Exempt Authorised Nominees, Qualification of Proxy and Rights of Proxy to Speak.

   Please refer to the Circular to Shareholders dated 19 March 2012 for further information.

FIVE-YEAR GROUP FINANCIAL SUMMARY

(RM'000)	2011	2010	2009	2008	Restated 2007 [1]
FINANCIAL RESULTS					
Revenue	1,051,384	1,012,205	820,368	812,165	1,236,584
Profit Before Tax	93,180	194,971	191,022	168,187	446,642
Profit Attributable To Owners Of The Company	51,415	117,613	112,629	134,774	284,744
KEY BALANCE SHEET DATA					
Total Assets	10,767,427	9,988,702	9,887,117	6,138,675	8,466,710
Total Liabilities	9,017,200	8,295,251	8,375,430	4,459,291	6,571,300
Net Assets Attributable To Owners Of The Company (Shareholders' Funds)	1,449,039	1,448,710	1,287,140	1,380,401	1,518,148
Number Of Outstanding Ordinary Shares As Issued And Fully Paid Excluding Treasury Shares Held ('000 shares)	939,992	938,060	654,516	648,922	648,064
SHARE INFORMATION					
Basic Earnings Per Share (sen)	5.47	12.78	13.88 [2]	16.62 [2]	35.92 [2]
Gross Dividends Per Share (sen)	Note [3]	7.50	7.50	7.50	20.00
Net Assets Per Share Attributable To Owners Of The Company (RM)	1.54	1.54	1.97	2.13	2.34
Closing Price At End Of The Year (RM)	1.78	1.97	1.71	0.99	2.32

Note

1 The financial figures for financial year 2007 had been restated in accordance with Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8").

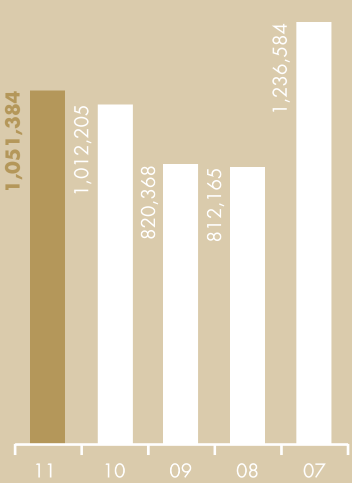
2 For comparison, the weighted average number of ordinary shares in issue for the financial year 2007 to 2009 had been restated for the effects of bonus issue on the basis of one (1) new Share ("Bonus Share") for every four (4) existing Shares held, which was completed on 25 January 2010, as if the bonus issue had been issued at the beginning of the financial years.

3 An interim dividend of 2.5 sen per share less 25% income tax was paid on 14 September 2011.

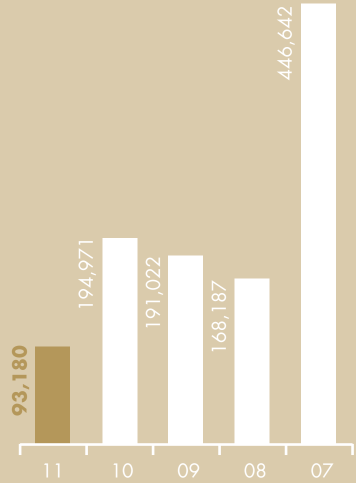
Proposed final dividends of: (i) a 2.0 sen per share less 25% income tax; and (ii) a distribution of one (1) treasury share for every forty (40) ordinary shares held.

Total dividends for the current financial year ended 31 December 2011 is 4.5 sen per share less 25% income tax and a distributable of one (1) treasury share for every forty (40) ordinary shares held.

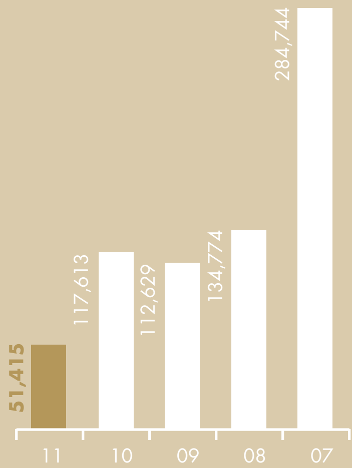
FIVE-YEAR GROUP FINANCIAL SUMMARY



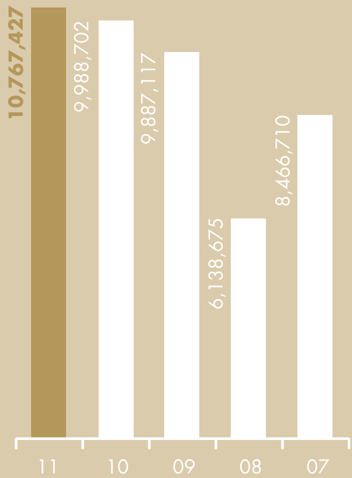
Revenue
(RM'000)



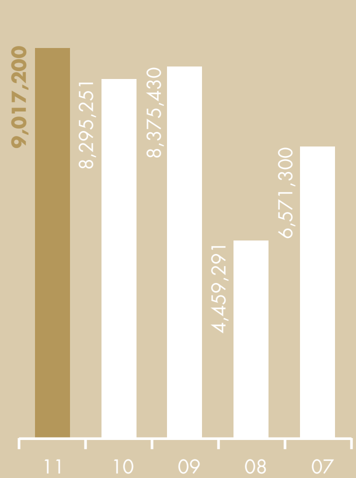
Profit Before Tax
(RM'000)



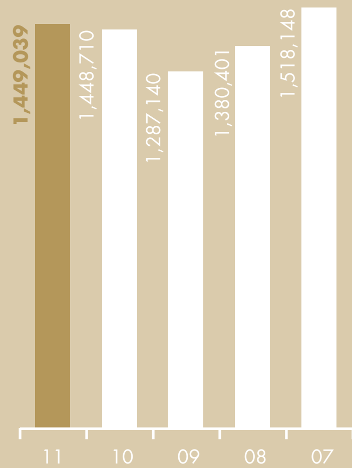
Profit Attributable To Owners
Of The Company
(RM'000)



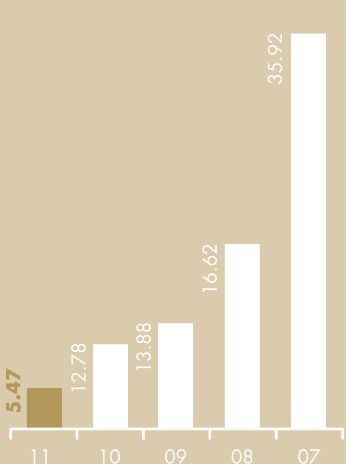
Total Assets
(RM'000)



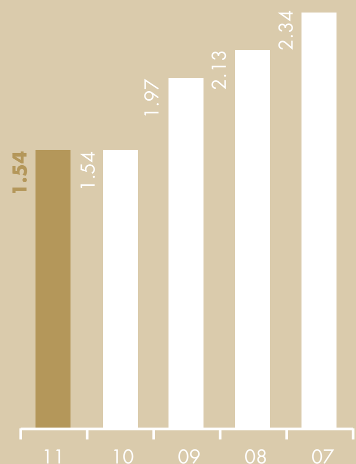
Total Liabilities
(RM'000)



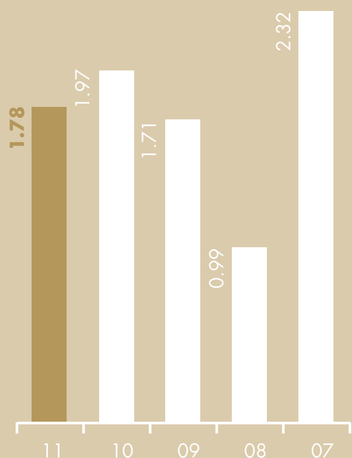
Net Assets Attributable To Owners
Of The Company
(Shareholders' Funds)
(RM'000)



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*
Dato' Abdul Majit bin Ahmad Khan	- *Independent Non-Executive Director*
Dr. Ngo Get Ping	- *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*
Wong Chong Kim
Dato' Abdul Majit bin Ahmad Khan

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

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

Bangkok Bank Berhad
China Construction Bank (Asia) Corporation Limited
CIMB Bank Berhad
Citibank Malaysia (L) Limited
DBS Bank Ltd
Malayan Banking Berhad
Maybank International (L) Limited
Oversea-Chinese Banking Corporation Limited
Panin Bank
PT Bank DBS Indonesia
PT Bank Permata Tbk
PT Bank OCBC NISP Tbk
PT Bank CIMB Niaga Tbk
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited
United Overseas Bank (Malaysia) Berhad

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

INVESTMENT BANK
U Chen Hock
Chief Executive Officer
Executive Director

Wong Chong Kim
Deputy Chief Executive Officer

Ong Ju Yan
Chief Operating Officer
Head of Investment Banking

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

ASSET MANAGEMENT
Eliza Ong Yin Suen
Director
Head of Group Wealth and Investment Services

ESTATE PLANNING AND TRUSTEE
Woo Lai Mei
Director
Chief Operating Officer

Tay Kok Leong
Director

INVESTMENT RESEARCH
Christopher Eng Poh Yoon
Director
Head of Research

UNIT TRUST MANAGEMENT
Ho Seng Yee
CEO of Malaysia and Regional Head of Distribution

UNIT TRUST ISLAMIC FUND MANAGEMENT
Md Noor Bin Hj A Rahman
Chief Executive Officer
Chief Investment Officer

INVESTMENT BANK (LABUAN)
Ric Koh Wai Chee
Director

CAPITAL FINANCING
Chow Hock Kin
Associate Director

FINEXASIA.COM
Yap Chih Hsiung
Chief Technology Officer

OSK HOLDINGS – HONG KONG
Wu Wai Leung, William
Chief Executive Officer
OSK Holdings Hong Kong Limited

DMG & PARTNERS - SINGAPORE
Nicholas Ng
Chief Executive Officer
DMG & Partners Securities Pte Ltd

OSK INDOCHINA BANK LIMITED – CAMBODIA
Lim Loong Seng
Country Head
OSK Indochina Bank Limited

OSK INDOCHINA SECURITIES LIMITED – CAMBODIA
Eugene Lam Jit Jin
Chief Executive Officer
OSK Indochina Securities Limited

PT OSK NUSADANA SECURITIES INDONESIA
Halim Susanto
Executive Director
President Director
PT OSK Nusadana Securities Indonesia

Chan Kong Ming
Executive Director
Chief Operating Officer
PT OSK Nusadana Securities Indonesia

PT OSK NUSADANA ASSET MANAGEMENT
Rima N. Suhaimi
President Director
PT OSK Nusadana Asset Management

OSK SECURITIES (THAILAND) PUBLIC COMPANY LIMITED
Diong King Kuang
Acting Chief Executive Officer
OSK Securities (Thailand) Public Company Limited

CORPORATE **STRUCTURE**

CORPORATE STRUCTURE
AS AT 25 FEBRUARY 2012

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.
    - **40%** OSK GC-Millennium Capital Pte. Ltd. *(Jointly controlled entity)*
- **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
    - **51%** OSK Fideus Asia and Emerging Markets Value Fund Ltd.
  - **100%** OSK Wealth Management Hong Kong Limited
  - **100%** OSK (China) Investment Advisory Co. Ltd.
- **51%** PT OSK Nusadana Securities Indonesia
  - **99.62%** 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.
- **97.35%** OSK Securities (Thailand) Public Company Limited *(Fka. BFIT Securities Public Company Limited)*

LOCAL SUBSIDIARIES

- **100%** OSK Futures and Options Sdn. Bhd.
- **100%** OSK Research Sdn. Bhd.
- **100%** OSK International Asset Management Sdn. Bhd.
- **70%** OSK-UOB Investment Management Berhad *(Fka OSK-UOB Unit Trust Management Berhad)*
  - **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%** (N1) OSK Trustees Berhad — **20%** (N2)

N1: 80% 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%**

N2: 20% Shareholdings are held by:

OSK Holdings Berhad	**20%**
Total	**100%**

- **80%** (N3) Malaysian Trustees Berhad — **20%** (N4)

N3: 80% 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%**

N4: 20% Shareholdings are held by:

OSK Holdings Berhad	**20%**
Total	**100%**

CORPORATE STRUCTURE

ASSOCIATED COMPANIES

- **38.05%** iFast-OSK Sdn. Bhd.
  - **96.82%** iFast Capital Sdn. Bhd.
    - **100%** iFast Nominees Sdn. Bhd.
  - **100%** FA Corporate And Compliance Consultancy Sdn. Bhd.
- **40.05%** Finexasia.com Sdn. Bhd.
  - **100%** Stock 188.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

DIRECTORS' PROFILE

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

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, aged 69, 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 Chairman 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 Minister 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 and thereafter re-designated to his current position on 28 December 2009.

Dato' Nik Mohamed Din is the Executive Chairman of OSK Property Holdings Berhad and OSK Ventures International Berhad and the Chairman of Jerasia Capital Berhad and QBE Insurance (Malaysia) Berhad. He is a director of OSK Investment Bank Berhad, OSK Trustees Berhad, Malaysian Trustees Berhad, OSK-UOB Investment Management Berhad (formerly known as OSK-UOB Unit Trust Management Berhad), Federation of Public Listed Companies Bhd and Datin Seri Ting Sui Ngit Foundation.

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 pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Nik Mohamed Din attended all the nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

ONG LEONG HUAT @ WONG JOO HWA
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Ong Leong Huat @ Wong Joo Hwa, aged 67, 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 Market 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 previously 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. He was then re-designated as a Non-Independent Non-Executive Director of OSK Investment Bank Berhad, a position he stills holds.

Mr. Ong is also an Executive Director of OSK Property Holdings Berhad, an Independent Non-Executive Director of Bursa Malaysia Berhad and a Director of KE-ZAN 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 pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Ong attended all the nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

DIRECTORS' PROFILE

WONG CHONG KIM
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Chong Kim, aged 55, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 21 November 1990. He was formerly the Executive Director of the Company and re-designated to his current position on 4 May 2007. He is also the member of the Audit Committee, 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 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. He is also a director of KE-ZAN Holdings Berhad.

Mr. Wong is the brother of Mr. Ong Leong Huat @ Wong Joo Hwa. He has no conflict of interest other than disclosed under Additional Disclosure (Recurrent Related Party Transactions) which appears on pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Wong attended nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

FOO SAN KAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Foo San Kan, aged 63, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

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

Mr. Foo is the Chairman of OSK Investment Bank Berhad and a Director of 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, Malaysian Trustees Berhad, OSK Property Holdings Berhad and mTouche Technology 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 pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Foo attended all the nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

DIRECTORS' PROFILE

DATO' ABDUL MAJIT BIN AHMAD KHAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abdul Majit bin Ahmad Khan, aged 66, 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 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, Hong Leong Asset Management Berhad, Zecon Berhad and Malaysian Trustees 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 pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Abdul Majit attended all the nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

DR. NGO GET PING

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Ngo Get Ping, aged 53, a Malaysian, was appointed to the Board of the Company on 16 January 2007 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and Nominating Committee and a member of Audit Committee of the Company.

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

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

Dr. Ngo is also an Independent Non-Executive Director in Tiong Nam Logistics Holdings Berhad and OSK Investment Bank 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 pages 53 to 55 in this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dr. Ngo attended all the nine (9) Board Meetings of the Company held during the financial year ended 31 December 2011.

CHAIRMAN'S **STATEMENT**

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

CHAIRMAN'S STATEMENT

2011 was a year fraught with challenges. The year started off with Europe's mounting sovereign debts sparking concerns of the adverse effects spreading globally and fears of rising inflation spilling over from the year before. These presented downside risks that threatened to undermine the stability of the global financial markets. Nevertheless, the growth momentum in Asia continued into 2011, underpinned by resilient domestic demand and improved export performance. That said, we had anticipated a challenging, yet exciting, year for the Group.

The road was a fairly bumpy one as external conditions deteriorated during the year. Against a backdrop of structural fragilities, the international economy was shaken by Japan's devastating earthquake and tsunami in March 2011 which severely disrupted the global supply chain and piled on the downside risk to global growth. Elsewhere, political tensions in the Middle East and North America (MENA) region led to oil prices spiking up, further stoking inflation. However, as the impact of the global supply chain disruption diminished in the later part of the year, new headwinds emerged, this time in the form of intensifying concerns over the European Union's unresolved sovereign debt crisis as Greece teetered on the brink of a sovereign debt default, while worries over Portugal's fiscal sustainability spooked equity markets globally. The growing crisis triggered rating downgrades on several countries, with the uncertainties over the fate of the US's debt ceiling sparking off a downgrade of that country's sovereign credit rating. These negative developments heightened risk aversion and increased volatility in the financial markets amid a slowdown in global economic activities as growing uncertainties clouded global growth prospects. This led to a sharp fall in equity markets and a sudden reversal of capital flows from the emerging market economies to the more liquid and 'safe haven' assets.

The performance of the region's stock markets was mixed in 2011. Stock exchanges in Malaysia (KLCI) and Indonesia (IDX) made slight gains of 1% and 3% respectively, whereas the bourses in Singapore (SGX), Hong Kong (HKEX) and Thailand (SET) lost 17%, 20% and 1% respectively. In terms of stock trading, the Malaysian, Indonesian and Thai stock exchanges reported 12%, 4% and 2% increases in value respectively. However, the value of stocks traded in the Singapore and Hong Kong stock exchanges shrank 9% and 0.3%, respectively. Nevertheless, growth in most Asian economies remained resilient, with Malaysia, Hong Kong, Singapore and Indonesia each chalking up GDP growth of 5.1%, 5.0%, 4.9% and 6.5% respectively in 2011, while Cambodia is projected to register estimated GDP growth of 6.7% for 2011. On the other hand, Thailand registered a mild GDP growth of 0.1% for 2011, mainly due to the severe flood disaster in the fourth quarter which significantly damaged the Thai economy.

Despite the challenges and headwinds from the advanced economies, the Group performed reasonably well in 2011 as it chalked up another profitable year. Thanks to our competent management and dedicated employees, the Group has, over the past few years, built a strong foundation for future growth as well as revenue and profit sustainability. The Group will continue to implement strategies aimed at strengthening our capabilities and competitiveness in the marketplace while staying focused on continuously growing our human capital and network infrastructure, as well as expanding our product range and market coverage.

Financial Performance

In 2011, the Group's revenue grew by a modest 4% to RM1,051.4 million from RM1,012.2 million in 2010. Group pre-tax profit came in at RM93.2 million in 2011, which was 52% lower than the RM195.0 million reported in 2010, after incorporating RM80.1 million in one-off net costs (2010: RM25.1 million) comprising a RM70.1 million allowance for impairment losses (2010: RM46.5 million), RM10.9 million incidental costs incurred in relation to the acquisition of the Thailand subsidiary (2010: nil), RM14.1 million in gratuity payment (2010: nil) and RM15.0 million gain on revaluation of a property (2010: RM21.4 million). In light of the growing downside risks and increasingly negative global market sentiment, the Group decided to make an additional allowance for total impairment losses of RM70.1 million, in accordance with group policy.

Operation-wise, excluding the one-off net costs mentioned above, the Group's pre-tax profit was 21% lower at RM173.3 million for 2011 compared with RM220.1 million in 2010, largely attributed to higher operating and interest costs incurred in tandem with its business expansion. These expansion plans were partly funded by higher customer deposits and the issuance of another RM100.0 million subordinated notes in April 2011 (2010: RM125.0 million and RM75.0 million issued in April 2010 and May 2010 respectively). Meanwhile, the rationalization of the Hong Kong business and the development of the Thailand business upon its acquisition in July 2011 also led to higher group operating costs. Nonetheless, the Group firmly believes that such outlay is strategically driven and should be value accretive in the long run.

The Group reported a profit after taxation and non-controlling interests of RM51.4 million in 2011 versus RM117.6 million in 2010, which translates into earnings per share of 5.47 sen against 12.78 sen in 2010. Despite the challenges confronting it, the Group remained steadfast in preserving its net assets at about RM1.45 billion (2010: RM1.45 billion) as at end-2011, for a net assets per share of RM1.54 (2010: RM1.54).

The Group's loans and financing segment emerged as the top profit contributor in 2011, up from 3rd largest in 2010. This segment generated a respectable 61% pre-tax profit growth to RM73.2 million in 2011 from RM45.5 million in 2010, underpinned by a robust loan growth of 21.6%, to close the gross loans book at RM1.67 billion at end-2011. The Group's Malaysian corporate loan business and Cambodian commercial banking business were the major contributors to this robust growth.

The Group's investment banking segment dipped into the red in 2011, reporting a pre-tax loss of RM9.5 million after incorporating net one-off impairment losses amounting to RM70.1 million. Excluding the impairment losses, this segment would have reported a pre-tax profit of RM60.6 million in 2011 (2010: RM107.5 million), making it the 2nd biggest contributor to Group profit. While the prevailing market volatility and uncertainties - and consequently quieter capital market activities - had adversely affected the segment's performance as a whole, the Group's derivatives and treasury businesses took the lead in profit achievement during the year under review.

CHAIRMAN'S STATEMENT

The equities and futures segment was hit by the weakening in regional financial markets and the resulting general decline in stock trading. Coupled with the incidental costs associated with the acquisition of a stockbroking subsidiary in Thailand, this segment reported a loss of RM1.1 million in 2011, against a pre-tax profit of RM52.9 million in 2010. The Group also incurred higher set-up costs in expanding relatively new departments such as e-broking, in order to stimulate its online business. Notwithstanding the loss posted in 2011, this segment effectively defended the Group's market leadership in 2011 by improving its share of trading value in the Malaysian (2011: 6.6%, 2010: 6.5%) and Singapore (2011: 9.8%, 2010: 9.5%) equity markets. It also helped the Group stabilize its share of the Malaysian FKLI futures market by trading value (2011: 12.5%, 2010: 12.2%) as well as FCPO futures share (2011: 7.1%, 2010: 7.2%). Meanwhile, in 2011, the Group climbed to number 4 in Malaysia's equities market in terms of trading value from number 6 in 2010, a praiseworthy achievement which further reaffirms our competitive standing in the marketplace.

The wealth management segment, which was not spared the edginess in the region's financial markets, saw its pre-tax profit drop 39% from RM5.5 million in 2010 to RM3.4 million in 2011. This performance takes into account the Group's commitment in developing its relatively young private banking and wealth management business as well as its fund management business in the region. The Group's strategy to nurture its wealth management segment stimulated a healthy 16% growth in its assets under management (AUM) to RM9.6 billion, including the funds managed by our associate company in 2011, as well as the 27 new funds launched amid a cautious financial scenario.

The property investment segment registered a pre-tax profit of RM25.2 million. Excluding a revaluation gain of RM15.0 million recorded in 2011 (2010: RM21.4 million), this segment's pre-tax profit would have settled at RM10.2 million, representing 18% growth from RM8.7 million in 2010, on the back of higher rental income.

By geographical segment, Malaysia remained the dominant contributor, accounting for 77% (2010: 71%) of the Group's pre-tax profit while its overseas operations made up the remaining 23% (2010: 29%). Disregarding the one-off net costs totaling RM80.1 million (2010: RM25.1 million), Malaysia's pre-tax profit would be RM151.5 million, down 7% from RM162.8 million in 2010. On the other hand, the overseas segment took a deep cut, with its pre-tax profit dropping from RM57.3 million in 2010 to RM21.8 million in 2011.

While Singapore continued to lead the overseas segment, its pre-tax profit declined by 48% from RM58.2 million in 2010 to RM30.0 million in 2011 owing to lower trading volume and quieter capital market activities in the republic. That said, Singapore continued to outperform its competitors in the equities market by defending its top 2 ranking.

Indonesia, the 2nd largest profit contributor in the overseas segment, also saw its pre-tax profit narrow to RM6.0 million in 2011 from RM10.4 million in 2010. Apart from the market volatility, Indonesia's performance also included additional costs incurred on the opening of 6 new branches in that country. Operationally, Indonesia kept its equity market ranking at 12th place out of 119 brokerage firms while its mutual funds business was placed 21st (2010: 33rd) out of 82 investment managers in 2011.

The newly acquired Thai subsidiary company, OSK Securities (Thailand) Public Company Limited (formerly known as BFIT Securities Public Company Limited) (OSK Thailand), contributed a pre-tax profit of RM0.7 million, representing approximately 5 months of pre-tax profit consolidated after the acquisition was completed in July 2011. Upon entry into Thailand, the Group invested substantially in setting up a new management team, strengthening the staff force and rebuilding the operating platform to strengthen its foundation for future expansion. These start-up and additional operating costs eroded the margins of the Thailand subsidiary, which would have otherwise put up a better showing.

In Hong Kong, the Group continued to revamp its business model to put in place a solid research and institutional equities team in order to enhance its regional equity and investment banking business. Concurrently, the Group also poured in resources towards developing its fund management business. Similar to other countries that were impacted by the soft market sentiment, Hong Kong's loss widened to RM11.0 million in 2011 from a loss of RM8.5 million in 2010. Going forward, we expect the management team in Hong Kong to steer the Hong Kong business to new heights and contribute more meaningfully to the Group's bottom line.

Cambodia's loss widened to RM3.8 million in 2011 from RM2.8 million in 2010, mainly due to the start-up costs relating to the setting up of the securities business and the Group's relatively immature commercial banking business, which commenced operations in 2008.

Overall, the Group achieved a good balance of revenue and profit contribution from our various business segments in 2011. Although reporting a lower profit than the previous year, the Group displayed resilience in its operating performance and in certain areas, surpassed its competitors and made noteworthy improvements. With a strong platform in place, a healthy balance sheet, and sound regional footprint in key ASEAN countries and Hong Kong, the Group is well positioned to weather the challenges ahead as well as keep its business growing and sustain its revenue and profit moving forward.

CHAIRMAN'S STATEMENT

Review of Operations

Despite a volatile market and challenging conditions across the region, the Group still achieved several milestones in 2011.

The investment banking arm across the region completed a total of 23 Mergers and Acquisition (M&A) deals in 2011 with a total value of US$4.7 billion, finishing 2nd for M&As by deal volume in Southeast Asia, according to Mergermarket. We are indeed proud that this achievement marks milestone in our journey towards becoming a leading full-fledged regional investment bank, particularly since we are a non-bank backed investment bank. In addition, our team across the region completed more than 165 transactions across all types of advisory deals in 2011, ranging from Initial Public Offerings (IPOs) and bond issuances to bonus issues and stock splits. Our corporate advisory client base continued to grow as our track record improved over time. Domestically, OSK Investment Bank Berhad clinched the lead in the small and mid cap market in Malaysia, improving its rankings for IPOs and M&As by deal count to 1st and 2nd placing in 2011 respectively, according to Bloomberg and Mergermarket respectively.

The Group's deposit base expanded by a decent 18.2% to RM5.4 billion in 2011 from RM4.5 billion in 2010 amid a challenging environment and a highly competitive landscape with other banks aggressively offering attractive deposit rates. However, the Group remained focused in keeping its cost of funds low to enhance the appeal of its financing and treasury products. The RM5.4 billion in deposits in 2011 was mainly from the Group's treasury business in Malaysia, while the remainder was from the Islamic banking business and our Cambodia subsidiary, OSK Indochina Bank Limited. Since deposits are the key funding source for our treasury and financing business, the Group is dedicated to enlarging its deposit base going forward.

In view of the market volatility, the Group's treasury business adopted a cautious approach in executing its strategies. Together with other units, it maintained a securities portfolio worth RM4.2 billion in 2011, and is well positioned to grow the Group's securities portfolio should market opportunities arise. On the other hand, we remained a leading issuer and market-maker in the listed structured warrants market, issuing a total of 83 structured warrants and chalking up a turnover market share of over 26% in 2011. Going forward, we hope to be able to expand this business to other countries in the region, such as Thailand and Indonesia.

In the loans and financing segment, the Group grew its loan assets to RM1,671 million in 2011, representing 21.6% growth from 2010, contributed mainly by the Malaysia's corporate loans unit and Cambodia's commercial banking arm, which achieved a gross loan growth of 75% (RM291 million) and 113% (RM97 million) respectively. We aspire to continue to expedite the growth of this business going forward, and pursue among others, differentiation and expansionary strategies as well as introduce new product lines while consistently keeping our cost of funds low.

In light of the challenging landscape in 2011, our Cambodian commercial banking arm focused on tight cost controls and consolidating its network of 9 branches, including the Main Branch. Depending on the market conditions in 2012, our expansion strategies will include expanding this network by 3 to 4 new branches/sub-branches at strategic locations for greater reach to the country's population, as well as beefing up the ATMs network to provide better services. After about 3 years of operation, we are optimistic that our Cambodian commercial banking business is now well-placed to achieve a maiden profit in 2012.

In the share margin financing business, the Group held a cautious stance across the region in view of the hostile environment and volatile markets, and had consciously held back on growth while rigorously monitoring market developments in executing its strategies. As market sentiment improves, we see significant upside in this business as we grow our regional equities operations.

The Group's performance in the equities and futures business across the region was commendable. In 2011, the Malaysian equities business climbed two ranks to 4th place by value compared to 6th in 2010, commanding a market share of 6.6%. In terms of trading volume, it continued to lead the industry with a respectable market share of 11.9%, higher than the 10.7% recorded in 2010, hence retaining its top spot. The Group also opened 2 new branches – in Bandar Puchong Jaya in January 2011 and in Lintas, Kota Kinabalu in August 2011 – bringing our branch network in Malaysia to 58 branches, including the Principal Office, to service our clients in Malaysia. We expect our comprehensive branch network in Malaysia to provide abundant opportunities to cross sell our products across the region and the Group's other businesses while strengthening our equities business.

Our 51%-owned subsidiary, DMG & Partners Securities Pte Ltd, put up a steady performance in 2011 in spite of an increasingly competitive marketplace. It successfully maintained its top 2 spot in equities, with a market share by trading value of 9.8%, improving from 9.5% in 2010. We expect to maintain our leadership in the Singapore equities market as we remain committed and cautious in executing our growth strategies.

The Group's equities business in Indonesia was stable, preserving its 12th ranking by trading value among 119 brokerage firms with a market share of 2.6% in 2011. The Indonesia equities franchise has been expanding to major cities throughout the country, ending the year with 17 branches, including the Principal Office, in 9 cities as at December 2011. Six new branches were opened in 2011 – in Bumi Serpong Damai, Pontianak, Pekan Baru, Palembang, Makassar and Mangga Dua. For 2012, we are aiming for another 4 new branches, which will boost our branch network to a targeted 21 branches (including the Principal Office).

CHAIRMAN'S STATEMENT

In 2011, the Group restructured its Hong Kong business and engaged a new Chief Executive Officer (CEO) to revamp its Hong Kong management team, as well as beef up the staff strength in its investment banking, research and institutional equities divisions. The Group also rationalized its branch network in Hong Kong and closed down the Sham Shui Po branch in December 2011 and Quarry Bay branch in January 2012. Currently, the Group has 2 branches, including the Principal Office, in Hong Kong. The branch rationalization exercise was extended to China. In January 2012, the Group closed its representative office in Shenzhen, China. Amidst the restructuring, our Hong Kong equities business still managed to maintain its market position.

In institutional equities, we expect our Hong Kong office to enhance our access to Greater China and European clients. The Group is also aggressively promoting its businesses through roadshows and corporate events. The setting up of regional teams in institutional sales, research and investment banking, as well as the forming of strategic partnership with other brokerage firms in various countries are directed at driving our institutional business and allowing us to gradually progress to the mid-large cap market.

In Cambodia, OSK Indochina Securities Limited was officially launched by the Deputy Prime Minister of Cambodia in June 2011. It received its membership certificate in July 2011 to undertake the stockbroking business when the Cambodia Stock Exchange (CSX) commences trading. We are progressively preparing ourselves in anticipation of the CSX commencing trading in the first half of 2012.

Since we acquired OSK Thailand in July 2011, we have been rebuilding its business by putting in place a new key management team, increasing staff strength, and upgrading the infrastructure. We also opened 2 new branches in February 2012 – in Silom and Pakin Building – and currently have a total of 4 branches in Thailand, including the Principal Office. We registered a modest equities market share by trading value of 0.5% for full-year 2011. We expect this market share to progressively improve as we plan to aggressively expand our branch network, increase the number of dealers and marketing staff, and grow the margin portfolio. In the short to medium term, apart from strengthening the current equities business, we also plan to launch new products which include, amongst others, institutional equities, institutional futures, corporate finance services, small and mid cap research, call warrants, global trading, stock borrowing and lending, and investment advisory services.

We remained a market leader in the futures trading business in Malaysia in 2011, upholding our top 3 position in the FKLI and FCPO market, with market shares of 12.5% (2nd ranking) and 7.1% (3rd) respectively. The full migration of Bursa Malaysia's derivative products to the CME Globex in September 2010 opened up new opportunities for the Group. CME Globex, a global electronic futures trading platform, will provide greater access for both local and international traders and broaden the exposure of Bursa Malaysia futures and derivative products. During the year under review, we also added more foreign futures contracts to our trading platform towards enhancing our offering of products, for which we foresee future growth potential. On the regional front, we are building up our futures business in Singapore and Thailand in order to strengthen our futures footprint and are confident that we would be able to replicate our success in Malaysia in these two countries.

Our 70%-owned subsidiary, OSK-UOB Investment Management Berhad (OSK-UOB IMB), continued to spearhead the Group's fund management business. In 2011, OSK-UOB IMB launched 11 new unit trust funds, bringing its portfolio of funds distributed in Malaysia to 59 with AUM of RM5.2 billion as at 31 December 2011, and earned itself a 5th placing in terms of market ranking. Since securing the required licence in June 2010, OSK-UOB Islamic Fund Management Berhad launched 2 Islamic funds in 2011. The Group's private banking and wealth management division, which made encouraging progress in its wealth management portfolio, breached the RM1 billion-mark to RM1.5 billion AUM as at end-2011. Our fund management business in the region is still in the development stage, but given the low base, our growth prospects in the region are promising. In Indonesia, our 51%-owned subsidiary, PT OSK Nusadana Asset Management, more than doubled its AUM to RM395 million with the launch of 13 funds in total in 2011, finishing at 21st spot out of 82 investment managers in the country's mutual funds market. In Hong Kong, we successfully obtained a full-fledged fund management licence and tied up with an experienced partner to launch new funds. In Singapore, we reorganized and repositioned our funds platform and teamed up with experienced partners to strengthen the fund management business. As at 31 December 2011, the Group's AUM stood at approximately RM7.3 billion. Including the funds managed by our associate company, the Group managed funds totaling approximately RM9.6 billion. For the upcoming years, we have a series of tactical plans lined up to grow the business, including launching new funds, strengthening the distribution network, expanding the agency network and forming strategic partnerships.

The Group's research teams across the region continued to win accolades in several respected polls, reinforcing our position as the leading small and mid cap research house in ASEAN. In the 2011 Asiamoney small cap research category, we retained our number 1 place for Malaysia, clinched the number 2 spot in Singapore while Indonesia improved markedly by finishing fourth. Apart from these, we also picked up other notable Asiamoney awards, such as the 2nd and 3rd most independent research brokerage for Malaysia and Singapore respectively. In Asiamoney's individual category, our heads of research in Singapore and Malaysia were ranked number 3 and 6 respectively in their own countries while some of our analysts also earned praiseworthy rankings in the overall Asiamoney poll. Our next target is to improve our large cap research by leveraging on our strength in small to mid cap research, to support our institutional equities and investment banking businesses in the region. We have made progress on this score, with our Malaysian Research team being placed 7th in the overall 2011 Asiamoney best research house category, beating a number of prominent global and local investment banks.

CHAIRMAN'S STATEMENT

The Group remained committed to investing heavily in information technology and network infrastructure to achieve greater operational efficiency and support our new products and businesses. The Group undertook several IT infrastructure enhancements across the region in 2011. We implemented the first phase of the Misys Summit treasury system which we expect to roll out for our Islamic banking as well as derivatives and structured products. We also implemented the Sungard risk management and Risk-X margin financing systems. We are in the process of deploying the Temenos T24 private banking and wealth management system targeted for full implementation in early 2012. Our regional institutional equities team is now equipped with a state-of the-art equities trading system from Sungard, which should enhance the execution of our institutional business more effectively. In our quest to integrate our businesses across the region through better communication channels, we adopted Microsoft Exchange and Sharepoint solutions to enhance our email and internet capabilities. To sharpen our competitive edge, we also undertook several measures to enhance our existing IT systems, including enhancements to the OSK188 trading system, investment in hardware redundancies for disaster recovery planning, and further improved our back and middle office systems. Although these involved heavy investments and human resources, we believe the ensuing benefits are unquantifiable and fit in with our regional integration plan and our IT enhancement roadmap.

Overall, the Group's operational performance in 2011 was satisfactory as we notched up commendable achievements despite the strong headwinds from the Eurozone debt crisis, the anemic growth in the United States, inflationary concerns and natural disasters in Asia. In spite of the challenges, we made good progress in growing our existing business and expanding our regional footprint, with our entry into Thailand completing our presence in the 4 key ASEAN capital markets. As we make quantum leaps towards achieving our vision of becoming an outstanding regional investment banking and financial services group, we remain mindful of the hurdles ahead and the changing needs of our valued customers. We will continue to aggressively yet cautiously grow our local and regional businesses organically and inorganically, with the objectives of better serving our customers, achieving market leadership and creating shareholder value in the long term.

Corporate Developments

2011 saw the Group take a significant step towards achieving its vision of becoming an outstanding investment banking and financial services group in the region. It completed the acquisitions of OSK Thailand and Malaysian Trustees Berhad (Malaysian Trustees), and established six strategic partnerships as part of its organic growth strategy to expand its market coverage and distribution capabilities.

The Group completed the acquisition of 51.10% equity interest in OSK Thailand on 21 July 2011 and since increased its stake in the latter through a mandatory tender offer completed in September 2011 for shares not already held by the Group, as well as via purchases in the open market. By 31 December 2011, the Group had invested a total of RM206.8 million for 97.4% equity interest in OSK Thailand. OSK Thailand, listed on the Stock Exchange of Thailand, holds securities business licences granted by the Ministry of Finance of Thailand and is approved by the Securities and Exchange Commission of Thailand to engage in the businesses of securities brokerage, securities trading, underwriting, securities registrar, financial advisory and derivatives trading.

OSK Thailand's current core business is securities broking and trading. Going forward, our strategies for OSK Thailand would be to strengthen its existing securities business via expansion of its market base, and to undertake new securities businesses which it has yet to be engaged in but are allowed under the licences, namely financial advisory, mutual fund management, private fund management, securities borrowing and lending, and venture capital. The acquisition of OSK Thailand provided the Group with immediate access to Thailand as well as strengthened the Group's foothold in the big 4 ASEAN capital markets of Malaysia, Singapore, Indonesia and Thailand. We see opportunities for synergy between OSK Thailand and our other entities in the key ASEAN countries and Hong Kong, and have faith in the growth of Thailand's capital market. In view of our established platform in the region and stable balance sheet, we are therefore optimistic that our investment in OSK Thailand will yield positive returns in the future.

On the local front, the Group acquired Malaysian Trustees Berhad in June 2011 to expand its trustees business, particularly in the Private Debt Securities (PDS) sector. Malaysian Trustees, a leading trustee company in the PDS sector with a market share of 34.0% in 2011, is expected to complement OSK Trustees Berhad which focuses in areas such as REITs and unit trusts. We see numerous synergistic opportunities between the two trustee businesses and our next step is to extract and enhance value from these synergies by synchronizing their business plans, products and services and human resources.

During the course of the year, the Group formed three strategic alliances with brokers in other countries, namely: (i) 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, (ii) Okasan Securities Company Limited, 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, Okasan Securities Exchange and Nagoya Stock Exchange, and (iii) Auerbach Grayson and Company LLC, a United States Securities and Exchange Commission-registered broker dealer. In the meantime, the Group is also in the midst of other strategic discussions to enlarge its coverage.

CHAIRMAN'S STATEMENT

The strategic alliances, built on the general understanding of cross-sharing of knowledge, clients and/or technology, are aimed at achieving greater global synergy and providing the bridge through which we can market our products and services in our partners' markets, while concurrently allowing our partners to tap into our client base to sell their services. Such alliances have directly or indirectly facilitated our access to new institutional markets in Vietnam, Laos, Japan and US, in addition to the European institutional market via our Hong Kong franchise. We consider these as vital building blocks in helping us move from the small-mid cap market to the mid-large cap market, and from the comfort zones of the ASEAN and HK markets to the US and Europe, thus extending our presence in the global market. As such, we view strategic alliances as our next pillar of growth, from which we believe we can monetize the mutual benefits arising from greater market visibility and product development, innovation, and in promoting capital markets globally.

As part of efforts to accelerate the growth of our nascent fund management business in the region, the Group sealed two strategic partnerships in 2011, namely (i) a partnership with Gryphus Capital Partners Pte Ltd and Dejoera Holdings Ltd to establish a joint venture company, OSK GC-Millennium Capital Pte Ltd, in which the Group has 40% equity interest, to act as General Partner to one or more approved funds to be set up in Singapore, and (ii) a partnership with Alpheus Advisors to set up a fund company in Cayman Islands whose business strategy is to invest in Asia and emerging market equities, targeting Hong Kong investors. These partnerships are a good fit with our strategy of developing our fund management business regionally via the launching of new funds and expanding our distribution capabilities. We also expect to leverage on the strengths of our partners, who have experience in the development, launching and management of funds in their respective target markets. We are also optimistic that the fund management activities in the region will give rise to synergies with other businesses in the Group through the cross-selling of services to the companies that these funds invest in.

Wealth management, another of the Group's young businesses, took a step forward when the Group signed a strategic bancassurance partnership agreement with Manulife Insurance Berhad (Manulife Malaysia) on 27 September 2011 to enhance its existing range of wealth management products and services. Under this agreement, the Group will distribute Manulife Malaysia's life insurance products through its private bankers and wealth managers. It will also provide for the sharing of expertise between the parties, which will see both organizations working together to develop products that better cater to their customers' needs, as well as enable the Group to introduce and offer a wider range of insurance-based products to a larger clientele base.

The internal restructuring involving OSK International Asset Management Sdn Bhd and OSK-UOB Investment Management Berhad was completed in September 2011. The said restructuring started in Oct 2010 with the aim of streamlining the Group's asset management business and tapping into a larger operational and customer base. Subsequent to the restructuring, OSK-UOB Investment Management Berhad assumed its current name in June 2011 from OSK-UOB Unit Trust Management Berhad previously to better reflect the essence of the company's principal activities, which encompass the wider aspects of the investment management business, in line with its strategic direction of growing and capturing investment opportunities in the industry.

As part of the Group's efforts to streamline its corporate structure, we decided to wind up four dormant companies, namely Beneficial Services Berhad (BSB), K.E. Malaysian Capital Partners Sdn Bhd (KEMCP), KPEN Sdn Bhd (KPEN) and OSK Wealth Planners Sdn Bhd (OSKWP). KEMCP, KPEN and BSB were dissolved in 2011 while OSKWP was dissolved in February 2012.

To support growth of our Indonesia subsidiary, PT OSK Nusadana Securities Indonesia (OSKNSI), the Group injected RM33 million in June 2011 by subscribing to its full entitlement in a rights issue carried out by OSKNSI. Upon completion of the subscription, the Group's equity interest in OSKNSI remained at 51%.

As part of the funding for the Group's expansion strategy, OSK Investment Bank Berhad issued the remaining RM100 million subordinated notes in April 2011 under the RM400 million Subordinated Medium Term Notes Program (MTN Program) following the approval granted by the noteholders on 24 March 2011 for an extension on the MTN Program. The funds raised from the issuance of the subordinated notes have strengthened the Group's capital base, enhanced its working capital management and facilitated its expansion plans, both locally and regionally.

The most significant corporate development for 2011 was when the Group commenced negotiations with RHB Capital Berhad (RHBC) on a possible merger of the businesses of OSK investment banking group and RHB banking group (Possible Merger) upon receiving Bank Negara Malaysia (BNM) approval on 13 October 2011. Subsequently, on 11 January 2012, both OSK Holdings Berhad and RHBC submitted an application to BNM seeking the relevant approvals in relation to the Possible Merger from the Minister of Finance (MOF) (through BNM).

CHAIRMAN'S STATEMENT

Prospects for 2012

The year 2012 is expected to remain a challenging yet exciting one as many opportunities still lay ahead. The global growth outlook has become increasingly more uncertain as the downside risks escalate, heightened particularly by the protracted fiscal concerns in the advanced economies. This could further dampen global financial market sentiment and undermine the prospects for continued growth. The uncertainty in the external environment may continue to take its toll on the ASEAN economies, especially the more trade-dependent ones. Nonetheless, the Asian economies, including Malaysia, are expected to maintain their growth momentum as domestic demand remains robust and their exports are supported by regional demand within Asia and other emerging economies. In September 2011, the International Monetary Fund projected 2012 GDP growth of 5.1%, 4.3%, 4.3%, 6.3% and 6.5% for Malaysia, Singapore, Hong Kong, Indonesia and Cambodia, respectively. For Thailand, its National Economic and Social Development Board has in February 2012 forecasted for the Thai economy in 2012 to expand in the range of 5.5–6.5%, with recovery and expansion in the manufacturing sector and investment in post-flood rehabilitations amongst the main driving factors. The growth prospects of the Malaysian and Asian economies augur well for the Group as a whole.

While we expect 2012 to be a better year compared with 2011, we are mindful of the challenges and potential pitfalls ahead. The ongoing European sovereign debt problems, the US's fiscal standing, plus rising inflationary pressures as concerns of geopolitical oil supply risks increase, are expected to spill over to 2012 and potentially hinder Asia's growth momentum and increase market volatility. Despite the hurdles, we will strive to keep the Group's fundamentals and financials healthy, and endeavour to enhance our competitiveness going forward.

Similar to 2011, the Group's main focus for 2012 will be to continue to build on its regional network with Thailand now on board, so as to maximize the synergies. The Group will continue to develop the Hong Kong franchise and establish partnerships in various countries to expand our market reach regionally and internationally. Meanwhile, we remain cognizant of the need to keep our fundamentals strong as we continue to invest heavily in our network infrastructure and human capital, which form the backbone of all of our businesses. We will continue to retain talent and attract new ones via strategies which include developing our existing manpower and recruiting talent from various backgrounds with new expertise and a variety of experience.

In view of the challenges before it, the Group will proactively monitor all external developments and the global financial markets, and cautiously implement business strategies that enhance our capabilities and competitiveness while expanding our business to achieve revenue and profit sustainability. We will practise prudent risk management and tread with caution in executing our strategies. Barring unforeseen circumstances, the Board is confident that the Group will perform satisfactorily in 2012, supported by our comprehensive regional coverage, extensive branch network and solid fundamentals. We look forward to 2012 with great enthusiasm and optimism, and hope that the year will offer greater growth opportunities for the Group's success, which will ultimately enhance our shareholders' wealth.

Dividends

For the financial year 2011, OSK Holdings Berhad paid an interim dividend of 2.5 sen per share less 25% income tax on 14 September 2011. The Board of Directors has recommended final dividends comprising: (i) a 2.0 sen per share less 25% income tax, and (ii) a distribution of one (1) treasury share for every forty (40) ordinary shares held, for the financial year ended 31 December 2011. These bring the total dividend for FY2011 to 4.5 sen per share less 25% income tax, and a distributable of one (1) treasury share for every forty (40) ordinary shares held. The proposed final dividends are subject to shareholders' approval at the forthcoming Annual General Meeting.

Acknowledgement

I wish to express my heartfelt appreciation to you, our shareholders, as well as our valued customers, business partners, and local and foreign regulatory bodies and organizations, all of whom have been instrumental, in one way or another, in helping us to achieve our goals. I would like to thank each of our management personnel and employees for their dedication, contributions and untiring efforts in ensuring 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 the stakeholders in building a stronger OSK.

Last but not least, my deepest gratitude to Bank Negara Malaysia, Securities Commission of Malaysia, Bursa Malaysia Securities Berhad, the regulatory authorities in the foreign countries in which we have a presence, and all other relevant authorities, for their continued guidance, support and advice.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Chairman

2011 ECONOMIC REVIEW

A SURPRISINGLY RESILIENT YEAR

The Malaysian economy expanded by a healthy 5.1% in 2011 (in line with our forecast of 5.0%). After growing robustly by 7.2% in 2010, real GDP growth was expected to ease off because of base effects. The economy surprised with its resilience especially in the second half, despite the volatility and uncertainty caused by the European debt crisis and fiscal upheavals in the US. The weakness in exports was more than offset by strong private consumption and investment performance, underpinned by steady wage growth and commodity prices (especially palm oil). Inflation accelerated in 2011, averaging 3.2%, on the back of elevated global food prices. Concerns about rising prices and cost led Bank Negara Malaysia to hike its policy rate by 25 bps to 3.00% in May, but this were soon overtaken by growth concerns and the policy rate was left unchanged thereafter.

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

Components (%)	2010	2011	Q1 11	Q2 11	Q3 11	Q4 11	OSK 2012 F Latest
GDP	**7.2**	**5.1**	**5.2**	**4.3**	**5.8**	**5.2**	**5.2**
Agriculture	2.1	5.6	-0.2	6.9	8.2	6.9	5.1
Mining	0.2	-5.7	-4.2	-9.2	-6.1	-3.3	3.8
Manufacturing	11.4	4.5	5.5	2.1	5.3	5.2	4.5
Construction	5.1	3.5	3.8	0.6	3.0	6.4	4.9
Services	6.8	6.8	7.0	6.8	7.0	6.4	5.4
Private Consumption	6.5	6.9	6.7	6.4	7.3	7.1	6.4
Public Consumption	0.5	16.8	11.7	6.6	21.7	23.6	7.8
Gross Fixed Capital Formation	9.8	6.0	6.5	3.2	6.1	8.5	7.3
Exports	9.9	3.7	1.4	4.1	4.2	4.9	2.0
Imports	15.1	5.4	8.4	3.2	3.2	7.0	2.3
CPI	1.7	3.2	2.8	3.3	3.4	3.2	2.7
Unemployment Rate	3.2	3.1	3.1	3.1	3.1	3.1	3.1

Source: MOF and OSK Research

2012 ECONOMIC OUTLOOK

Fiscal Boost to Growth

The Malaysian government remains sanguine about growth prospects for 2012 with real GDP projected to grow by a healthy 5.0-6.0% with domestic demand again playing a key role. Our forecast is for the economy to grow by 5.2% in 2012, marginally better than 2011 but at the lower end of the government's forecast range. Resilient private consumption and investment spending (OSK 2012F: 6.4% and 7.3% respectively) should underpin real GDP growth in 2012. Government-led efforts to transform the economy through infrastructure spending and other ETP projects, as well as cash transfers to low-income households and pay hikes for civil servants should also provide support to the economy this year. The recent blitz of contract awards for the construction of the MRT highlights the government's determination to follow through quickly on implementing these infrastructure and ETP projects as outlined in Budget 2012. Not unlike 2011, we believe that buoyant domestic demand should be able to more than mitigate any weakness in exports. There are downside risks however to our above-consensus growth forecast. There is a possibility that as the external outlook worsens, households/civil servants could save most of their cash handouts/pay increases, while only some of the planned investment spending materializes. Consequently, real GDP could grow by just 2.5%.

Despite expectations of still healthy real GDP growth in 2012, inflation is not expected to pose a threat to the Malaysian economy. After rising by 3.2% in 2011, headline inflation should moderate in 2012, on the back of slower global growth and favorable base effects. Moreover, with an eye to the general elections, the government is unlikely to reduce subsidies on basic necessities like sugar, thus ensuring some level of stability in domestic prices in 2012. In addition, there is no indication either in the budget or in any recent announcements that the government would move on fuel subsidies. We therefore expect headline inflation to average 2.7% in 2012.

Easing inflation and stable ringgit, despite an uncertain global environment, opens the possibility of looser monetary policy. However, with economic growth likely to remain healthy this year and the possibility of demand-pull inflation resurfacing as a consequence of the fiscal boost, BNM is likely to be cautious in cutting the OPR. Moreover, the external environment has not deteriorated substantially nor has risk aversion risen sharply to threaten domestic growth to justify intervention by BNM. The likely-preferred route for the central bank is to wait for greater clarity in both the global and domestic fronts before moving on the policy rate. We therefore expect the central bank to hold the OPR steady at 3.0% for the first half of 2012 at least. But should demand-pull inflation show sign of escalating, there is a possibility that BNM could resume its tightening stance and raise the OPR in the latter part of the year.

After the sell-off that began in September 2011, the ringgit has rebounded together with the rest of the Asian currencies on the back of improving global sentiments. Since the beginning of the year, the ringgit has gained about 5.0% against the US dollar – almost regaining all the losses from the second half of last year's sell-off – and was the second best performing Asian currency. The ringgit is likely to gain further traction on the back of the recent relaxation by BNM of foreign currency trade, ringgit-denominated interest rate derivatives and domestic debt obligations, which should deepen and improve the liquidity of the domestic financial market. Moreover, the government's planned divestment of some of its major holdings (for example, of FELDA) should also be supportive of the ringgit. We currently expect the ringgit to reach RM3.00 versus the US dollar by the end of 2012.

2011 STOCK MARKET REVIEW

Beholden to External Factors

2011 saw the KLCI get off to a good start with a small rally in early January before a series of major global events sapped the rally's strength. Beginning with fears of inflation given the runaway economic growth in China, these fears were given further strength when China raised its interest rates in February. Attention than shifted to the Middle East with the Arab Spring revolution which resulted in the eventual removal of 3 long time leaders from Tunisia, Egypt and Libya. Even as equity markets were starting to calm down in March, Japan was struck by the 9.0 magnitude Tohoku earthquake and tsunami followed by nuclear leakage at the Fukushima power plant. This led to a sharp plunge in Asian markets. Only buying interest ahead of the Invest Malaysia KL conference led to the KLCI closing positive some 1.7% or 26.2 pts higher at 1545.13pts for the first quarter.

Table 1 : KLCI Performance 2011

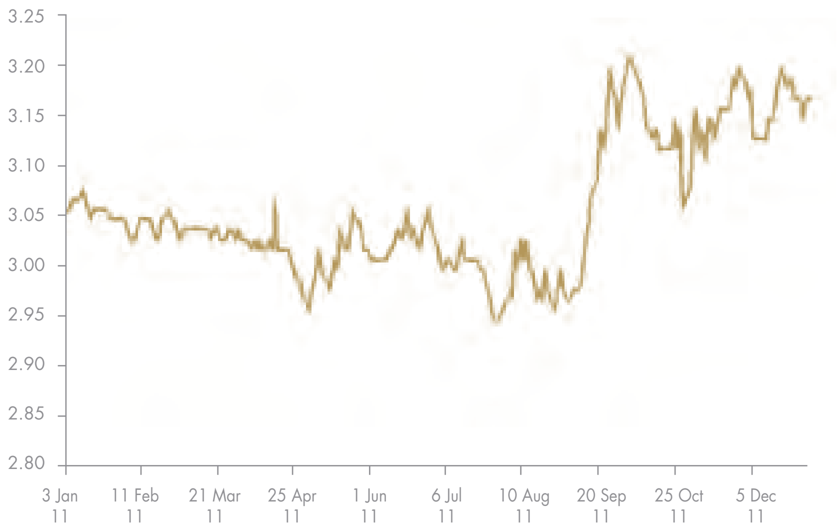
The second quarter saw the KLCI move up some 33.9pts or 2.2% largely driven this time by local factors. These included uncertainty in April driven by the results of the Sarawak state by-election where the Opposition made some inroads as well as more optimism in May as Malaysian banks raised their interest rates signalling their positive outlook on the economy. The finance sector was the focus in the quarter with rumours, subsequently confirmed, that both Maybank and CIMB were looking to acquire RHB Capital. The decision by the Cabinet to raise gas and electricity prices also boosted the likes of Tenaga Nasional while the quarter ended off with a bang with the strong debut of MSM Malaysia.

Table 2 : Crude Palm Oil and Crude Oil futures 2011

2011 STOCK MARKET REVIEW

The third quarter was when external factors started making a comeback with the return of European sovereign crisis fears. The quarter actually saw the KLCI reach both its all time high at 1594.74pts in July as well as its recent low at 1331.80pts in September. While the quarter started off well, with other Asian markets soaring for most of July, sentiment on the KLCI took a hit with the Bersih 2.0 rally which took the wind out of the local rally's sails as foreign investors did not view the development positively. Subsequently rating cuts on European and US credit ratings led markets to a free fall in August and September. Towards the end of September, efforts from the US Federal Reserve to sell short term debt and buy long term debt led to a drop in longer term interest rates while the Greek PM securing parliamentary approval on deficit reduction moves led to a small recovery at quarter end. The KLCI fell 191.9pts during the quarter or 12.2%. Correspondingly, commodity prices also slumped during the quarter with both oil and CPO prices touching their lows of USD76.85 per barrel and RM2786 per tonne just after the quarter. Subsequently both commodity prices recovered in the fourth quarter.

Table 3 : Ringgit performance vis-à-vis USD in 2011



The final quarter was a time of recovery as co-ordinated efforts by the US Federal Reserve, European leaders and other global central banks saw the KLCI recover some 143.6pts or 10.4%. Nonetheless, the process was not altogether smooth with Greece and Spain having a change in leadership and Italian bond yields rising above the 7% at one point. The cut in interest rates by China and Thailand as well as the cut in rates on dollar liquidity swaps by the central banks of the US, Europe, UK, Japan, Switzerland and Canada led to a month long rally in US markets that was also supported by stronger than expected economic numbers. European sovereign bond yields also fell as the European Central Bank revealed its Long Term Refinancing Option (LTRO) pumping liquidity into the system. On the local side, a spate of Government related privatisations dominated the news with Khazanah looking to sell off its stake to Proton, KFC and QSR being privatised by Johor Corp and MMC looking to privatise KTMB. The Ringgit however, failed to recover from the shock in September and ended at RM3.17 to the USD.

Against its peers, the KLCI did well coming in as 3rd best performing market after the Philippines and Indonesia. China continued to be the laggard falling 19% followed by Taiwan and Hong Kong.

2012 Market Prospects

Big Infrastructure Investments

2012 started out great for the rest of the world while Malaysia has seen more modest gains given its strong performance in 2011. With only some 3% gain thus far in the KLCI, Malaysia is one of the poorest performing markets in East Asia. Nonetheless, global optimism remains due to the huge amount of liquidity provided by central banks worldwide which have more than offset still uncertain fundamentals. Going further into 2012, we believe the market can still have a positive year with our year end target at the 1620 pts level for the KLCI. The local bourse will be helped by large foreseen investments in the Construction sector such as the Klang Valley MRT and LRT extensions as well as in the Oil & Gas sector where multi-billion Ringgit projects in the form of Petronas's RAPID, Sabah Oil & Gas Terminal and Sabah Ammonia and Urea plant are underway.

MILESTONES AND EVENTS 2011

January

Launch of Asia Financials Fund
OSK-UOB introduced the Asia Financials Fund which aims to capture the potential opportunities available in Asia.

OSK Investment Bank appoints new Chief Executive Officer
Mr U Chen Hock was appointed Chief Executive Officer and Executive Director of OSK Investment Bank effective 18 January 2011.

March

OSK-UOB wins Edge-Lipper Malaysia Fund Award
OSK-UOB's KidSave Balanced Fund won the coveted Edge Lipper Malaysia Fund Award in the category of 'Best Mixed Asset Malaysia Balance for 10 Years'. The Fund buys into both equity stocks and fixed income instruments aimed at bringing good returns over the long term.

OSK commences partnership with Okasan Securities Japan
OSK Investment Bank signed a memorandum of understanding (MoU) on 9 March 2011 with Okasan Securities Company Limited, for both parties to foster business cooperation and development in relations to capital markets particularly in Malaysia, Indonesia, Singapore and Japan.

April

OSK acquires 48.87 percent of BFIT Securities, Thailand
OSK Investment Bank entered into a conditional Share Purchase Agreement with Thailand based BFIT Securities (BSEC) Public Company Limited to purchase Sale Share representing 48.87% equity interest in BSEC.

OSK Investment Challenge kicks off in Indonesia
The Indonesia Campus Edition of the OSK Investment Challenge (OSKIC) was launched on 12 April 2011 following the success of OSKIC in Malaysia in 2010.

OSK's wins top award for Most Astute Investors 2010 from The Asset
Jason Wong, Associate Director, Treasury Department of OSK Investment Bank was presented with top honour in the awards for Most Astute Investors for Asian G3 denominated bonds 2010 by The Asset Benchmark Research.

May

OSK analysts ranked top in Asia
Three of OSK's research analysts were recognised as Wall Street Journal's Asia's Best Analysts 2011. This included Best Oil & Gas Analyst and Best Telecommunications Analyst in Asia as well as Best Analyst in Malaysia.

Launch of Multi-Asset Recovery Strategy Fund
OSK-UOB launched the Multi-Asset Recovery Strategy (MARS) Fund which capitalises on the recovery and upturns of the global markets and is customised to the current market conditions by investing in multi-asset classes through a portfolio of best-in-class exchange- traded funds.

June

Launch of US Legendary Fund
OSK-UOB together with Alliance Bank launched the US Legendary Fund on 25 May 2011. The key drivers of the Fund's returns depend on the US economic recovery and the investment management of Berkshire Hathaway Inc, led by legendary investor Warren Buffet.

OSK Indochina Securities Limited opens in Cambodia
OSK Indochina Bank Limited launched its securities company, OSK Indochina Securities Ltd (OSKISL) on 7 June 2011. With the establishment of OSKISL, OSK will be able to support and participate in supporting the Cambodian government's initiative to develop its capital market.

OSK-UOB renamed OSK-UOB Investment Management
OSK-UOB Unit Trust Management Berhad changed its name to OSK-UOB Investment Management Berhad effective 13 June 2011. The new name better reflects the company's principal activities encompassing the wider aspects of the investment management industry.

July

OSK rolls out refreshed brand identity
The rebranding of the OSK brand reinforces the strategy of OSK as an investment bank with an exciting wealth management offering. With this in mind, the new corporate logo incorporates the three business units, namely Investment Banking, Wealth Management and Trading.

The colour grey represents the OSK Group, white represents the bank, brown represents Trading and purplish blue represents Wealth Management & Asset Management.

BFIT acquisition finalised
The acquisition of Thailand's BFIT Securities was completed with the final purchase of 51.10% equity interest by OSK Investment Bank Berhad.

MILESTONES AND EVENTS 2011

August

OSK Investment Bank adds new branches
OSK Investment Bank commenced operations at its latest branches in Puchong Jaya and Lintas, Sabah on 3 January 2011 and 15 August 2011 respectively.

Global Food Islamic Equity Fund launched to tap global halal market
OSK-UOB Islamic Fund Management Berhad officially launched its very first fund – the Global Food Islamic Equity Fund on 23 August 2011. The fund which taps into the massive potential growth of the halal food industry is the first of its kind in the world.

September

OSK in Hong Kong launches first fund
OSK International Investments Hong Kong Ltd, a subsidiary of OSK Investment Bank announced the launch of its inaugural fund on 30 August 2011. The OSK Resources Fund capitalises on the opportunities offered by the natural resources sector across the Asia Pacific market.

BFIT Securities renamed OSK Securities (Thailand) PCL
BFIT Securities Public Company Limited which was acquired by OSK Investment Bank was renamed OSK Securities (Thailand) PCL effective 7 September 2011.

OSK Investment Bank awarded Best Islamic Equity from The Asset Triple A
OSK won the award for Best Islamic Equity under The Asset Triple A Islamic Finance Awards 2011 for its role as Joint Underwriter in the Retail Offering of the IPO of Petronas Chemicals Group Berhad.

OSK Investment Bank signs Bancassurance partnership with Manulife
OSK and Manulife Insurance Berhad signed a strategic bancassurance partnership on 27 September 2011 where OSK will distribute Manulife's life insurance products through its private bankers and wealth managers.

October

OSK Investment Challenge Malaysia back for second year on bigger scale
The OSK Investment Challenge was back for the second year running and was officially launched by Dato' Tajuddin Atan, CEO of Bursa Malaysia. Approximately 30,000 students from local colleges and universities registered to participate in the virtual investing competition.

OSK-DMG brings ASEAN Corporate Day to Hong Kong
OSK hosted the fourth instalment of the ASEAN Corporate Day in Hong Kong on 12 October 2011. Via this investors forum, OSK brought together fund managers and corporates from different countries to interact and identify possible investment opportunities and ideas.

November

Invest Malaysia held in Hong Kong for second year
OSK once again partnered Bursa Malaysia to organise the Invest Malaysia Hong Kong conference on 3 November 2011. During the conference, fund managers were updated on the latest achievements of the country's Economic Transformation Programme one year after its official launch. The conference also brought together Malaysia's corporate champions representing various business sectors, key regulators and policy makers to showcase Malaysia as a viable investment destination.

December

OSKIB Penang branch expands premises
OSK Penang Branch expanded its business premises as at 1 December 2011. The expansion further enabled the branch to increase its business activities with the existence of a bigger and more conducive work space and environment.

OSK ranked as 8th strongest bank in Malaysia
The Asian Banker 500 2011 (AB500) ranked OSK Holdings as the 8th strongest bank in Malaysia and 89th strongest in the Asia Pacific region. The AB500 evaluates the top 500 banks in Asia Pacific.

OSK-DMG makes good progress in Asiamoney Brokers Poll 2011
The OSK-DMG Research team across Malaysia, Singapore and Indonesia fared well in the 2011 Asiamoney Brokers Poll. In Malaysia, it retained its position as Top Small Caps research house and moved up to be 2nd Most Independent Research Brokerage. Individual analysts rankings in Singapore also saw positive progress while ranking in Indonesia showed marked improvement from 2010.

CORPORATE SOCIAL RESPONSIBILITY

CSR is increasingly becoming an important element for OSK in running its business. It is seen as a key to sustainability and sustainable development which meets the needs of the present without compromising the ability of future generations to meet their own.

For the Group it makes good business sense to embark on a socially responsible and sustainable journey. Running a sustainable business now takes into consideration three aspects of the business – the economic, social and the environmental. Stakeholders including customers, regulators and shareholders are no longer satisfied with just financial returns but are also looking into a company's green credentials.

The Environment

Caring for the environment

OSK believes in managing its direct impacts and has sought to put in place initial measures to reduce the impact of its operations on the environment. These include:

- Reducing electricity usage - air conditioning system is automatically shut down at 6pm daily.
- Waste reduction exercise - replacing plastic mineral water bottles on management floors with glasses and glass bottles to reduce usage of plastic. This is also established in all OSK's meeting rooms.

In the Community

OSK Gives Back

In its effort to contribute back to the community in which it operates, OSK organised several activities throughout the year especially for the underprivileged. In addition to contribution in cash and kind, OSK also deployed its volunteers who willingly gave their time and effort to help the disadvantaged.

In 2011, OSK volunteers shared the joy of Hari Raya in the OSK Raya Open House with children from three homes including Rumah Sayangan and Yayasan Anak-anak Yatim TTDI. OSK management, staff and volunteers also came together in a big way during the Holiday Season Charity Drive for the Children's project. Over 300 children from nine organisations were beneficiaries of this project where OSK staff sponsored and donated Christmas gifts, back to school items and dry provisions to help these children see their Christmas wishes come true and to have a smoother transition into the next schooling year.

OSK also contributed to the annual The Edge-Bursa Rat Race and 2011 saw the participation of OSK Investment Bank's CEO in the race.

OSK Raya Open House

CORPORATE SOCIAL RESPONSIBILITY

Holiday Season Charity Drive

The Edge-Bursa Rat Race

CORPORATE SOCIAL RESPONSIBILITY

OSK Investment Challenge

Focusing on education

Apart from the underprivileged, the Group's CSR initiatives also focus on the area of education. In 2011, OSK once again organised the OSK Investment Challenge in Malaysia, an online virtual trading competition aimed to educate and inspire students on the workings of the capital market. This initiative was also launched in Indonesia for the first time in April 2011.

Another initiative in the area of education by the Group was an investment seminar entitled 'Investment for beginners and the role of a research analyst.' The seminar was open to all students and lecturers from local colleges and universities across the nation and aimed at providing the participants with basic knowledge of the how-to's in the investing world.

Investment education seminar

CORPORATE SOCIAL RESPONSIBILITY

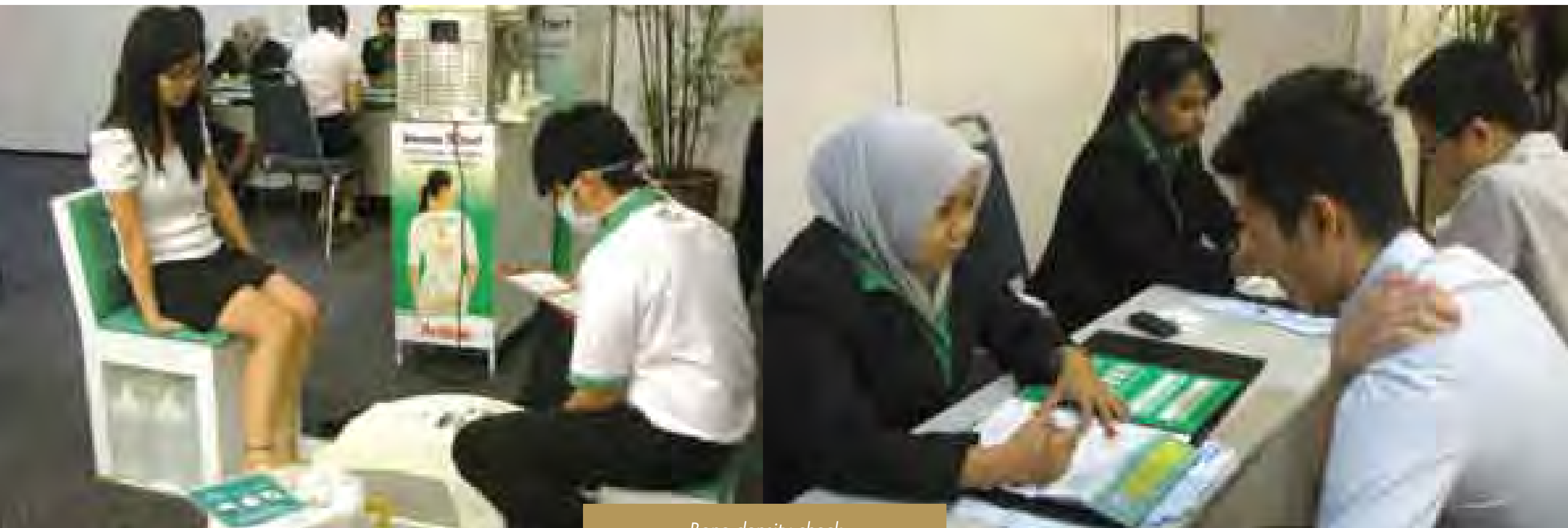
Breast cancer awareness

In the Workplace

Employee welfare

OSK strives to be the best place to work and places much emphasis on its employees' welfare. In addition to encouraging employee volunteerism, the Group supports various programmes that promote health awareness among staff. This included a breast cancer awareness talk by MAKNA to educate female staff on breast cancer and preventive checks; a bone density check conducted by Anlene and a talk on diabetes and cardiac health by Tropicana Medical Centre and Alpha Specialist Centre respectively.

To encourage staff engagement and internal communication, the Group launched a new intranet platform that is more interactive and dynamic. With the interest of staff in mind, the Group also conducts a company-wide employee satisfaction survey to ensure it is constantly up-to-date on the sentiments and opinions of its workforce.



Bone density check

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 Terms 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 42 to 47 of this Annual Report.

The Board reserves certain powers for itself and delegates 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 to be separated. The Chairman should be in a non-executive capacity.

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.

STATEMENT ON CORPORATE GOVERNANCE

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 possesses 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 Director continues to meet the "Fit and Proper" criteria as set out in the Revised BNM/GP1 and Section 56 of the Banking and Financial Institutions Act, 1989.

The profiles of the Directors are set out in the Directors' Profiles 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 at least 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 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 have complete and unhindered access to the senior management and Company Secretary at any time. Senior management officers are invited to attend Board meetings to report to the Board on matters relating to their areas of responsibility, and also to brief and provide details to the Directors on recommendations or reports submitted to the Board. The Board may consult with other Group employees and seek 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 may conduct or direct any investigation to fulfill its responsibilities and may 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, nine (9) Board meetings were held. Details of the Directors' attendance are as follows:

	Directors	Attendance
1.	Dato' Nik Mohamed Din bin Datuk Nik Yusoff	9/9
2.	Ong Leong Huat @ Wong Joo Hwa	9/9
3.	Wong Chong Kim	9/9
4.	Dr. Ngo Get Ping	9/9
5.	Dato' Abdul Majit bin Ahmad Khan	9/9
6.	Foo San Kan	9/9

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the Revised BNM/GP1 (minimum 75% attendance) and the Bursa Malaysia Main Market Listing Requirements (minimum 50% attendance).

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

d) Board Meetings (Cont'd)

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

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

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 confirmation of minutes at the next meeting.

e) Appointment of Directors

The Nominating Committee recommends suitable candidates to the Board 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.

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 ratings on the Board's effectiveness, the Board Committees and individual Directors were 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 43 to 45 of this Annual Report.

f) Retirement and Re-election of Directors

The Articles of Association of the Company ("Articles") provides 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 provides that one-third (1/3) (or nearest to one-third, if number is not three or multiple of three) of the Directors to retire by rotation at every AGM. All the Directors (except the Chief Executive Director and the Managing Director) are subject to retirement at an interval of at least once in every three (3) years.

The performance of those Directors who are subject to re-election at the annual general meeting will be assessed by the Nomination Committee whereupon the recommendations will be submitted to the Board for decision on the proposed re-election of the Director concerned for shareholders' approval at the next annual general meeting.

The Directors who are standing for re-election at the upcoming Annual General Meeting of the Company to be held on 10 April 2012 are as stated in the Notice of the Twenty-Second 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 comprises entirely of Non-Executive Directors and the details are set out on pages 42 to 43 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

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

g) Remuneration of Directors (Cont'd)

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

There was no increase in the Directors' fees for the financial year ended 31 December 2011. 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/- per day for attending meetings.

The proposed Directors' fees for the financial year 2011 would be tabled at the Twenty-Second AGM for approval by the shareholders.

Details of the Non-Executive Directors' remuneration for the financial year ended 31 December 2011 are as follows:

2011	**Total RM'000**
Amount received/receivable from the Company:	
Fee - current year	**188**
Defined contribution plan	38
Salary	315
	353
Benefits-in-kind	**-**
Total	**541**
	-
Amount received/receivable from the Group:	
Fee - current year	**737**
Defined contribution plan	1,290
Salaries, bonuses and other remunerations	24,224
	25,514
Benefits-in-kind	**96**
Total	**26,347**

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

2011	**Total**
Group	
RM100,001 up to RM150,000	2
RM150,001 up to RM200,000	1
RM500,001 up to RM550,000	1
RM2,600,001 up to RM2,650,000	1
RM22,600,001 up to RM22,650,000	1
	6

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, significant financial, accounting and risk management issues, compliance programs, Code of Conduct, management structure, 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. High Performance Leadership for 21st Century;
3. ICAAP and BASEL III;
4. Board Responsibility for Corporate Culture – Selected Governance Concerns & Tools for Addressing Corporate Culture and Board Performance;
5. IT Governance and Risk Management Programme;
6. Risk Management in Audit Practices;
7. Banking Insights;
8. Discharging Audit Committee and Internal Audit Function in Compliance with Risk;
9. Directors' Obligation on the Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad, Corporate Disclosure Guide and Securities Commission's Corporate Governance Blueprint 2011; and
10. Corporate Governance Programme: Building Audit Committees for Tomorrow;

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.oskgroup.com* provides corporate information on the Group.

Mr. Woon Chong Boon, aged 43, is the Chief Operating Officer/Head of Corporate Strategy and Finance. He is the personnel in charge of addressing inquiries from shareholders, investors and the public. He holds a Bachelor of Business Administration in 1991 as well as a Master of Business Administration from Western Michigan University in 1992. Mr. Woon joined the Group as General Manager, Corporate and Strategic Planning in 2002. Later in January 2007, he was re-designated as Director/Head of Group Corporate and Legal Affairs until 27 January 2011 when he was appointed to his present position. Prior to joining the Group, he was attached to Arthur Andersen & Co., Malaysia for about ten (10) years and his last position was Senior Manager.

The Board has identified the Independent Non-Executive Director, Mr. Foo San Kan, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

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.

STATEMENT ON CORPORATE GOVERNANCE

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.

The Board adopted the Whistle Blowing Policy, which sets out the principle and grievance procedures for employees to raise genuine concerns of possible improprieties perpetrated within the Group. The Board also adopted the following codes to further 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 are set out on pages 57 to 239 of this Annual Report.

b) Related Party Transactions

All 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 pages 53 to 55 and the Notes to Financial Statements on pages 157 to 162 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 46, a Malaysian, is the Associate Director/Group Corporate & Legal Affairs. She holds a Bachelor of Laws (Honours) from the University of East Anglia (UK) and is a Barrister-of-Law of Lincoln's Inn.

She was admitted as an advocate and solicitor of the High Court of Malaya in May 1993 and was in private practice specializing in commercial and banking litigation. She was later admitted as an advocate and solicitor of the Supreme Court of Singapore in August 2000. In April 2001, she joined the legal department of a foreign financial institution in Malaysia and subsequently joined OSK in August 2004. She has nearly 19 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 47, a Malaysian, is the Associate Director/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.

The Statement of Internal Control, which provides an overview of the state of internal controls within the Group, is set out on pages 50 to 52 of this Annual Report.

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 with the Audit Committee of the Company at least twice 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:

2011	**Group RM'000**	**Company RM'000**
Audit fees paid to external auditors :		
- Parent auditors and affiliates	476	47
- Other auditors	746	-
Total	1,222	47
*Non-audit fees paid to external auditors	21	3

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

***Non-audit fees**	**Group RM'000**	**Company RM'000**
OSKIB - Review of abridged financial statements	7	-
OSKIB - Review of annual submission package to Bank Negara Malaysia	11	-
OSKH - Review of statement of internal control	3	3

The external auditors, Messrs Ernst & Young and other auditors of the subsidiaries, who perform statutory audit function for the Group are independent.

STATEMENT ON CORPORATE GOVERNANCE

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, terms of reference, the activities carried out during the year and the number of meetings attended during the year 2011 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 48 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 — Ong Leong Huat @ Wong Joo Hwa
Non-Independent Non-Executive Director

Foo San Kan
Senior 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.

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
Ong Leong Huat @ Wong Joo Hwa	1/1
Foo San Kan	1/1

The key activity undertaken by the Remuneration Committee during the year was to review and propose the Directors' fees for the year 2010.

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 — 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

Dato' Abdul Majit bin Ahmad Khan
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.

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.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

Functions and Duties (Cont'd)

(II) Establish Assessment Mechanism

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

(III) Recommendation and Assessment

- To recommend and assess the nominees for directorship, board committee members as well as nominees for the CEO;
- To assess directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia;
- The actual decision as to who shall be nominated shall be the responsibility of the full Board;
- To assess, on an annual basis, 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
Ong Leong Huat @ Wong Joo Hwa	1/1
Wong Chong Kim	1/1
Foo San Kan	1/1
Dato' Abdul Majit bin Ahmad Khan	1/1

Key activities undertaken by the Nominating Committee include the following:

- to assess the Directors' performance and to recommend their re-appointment to the Board of Directors, for submission to Bank Negara Malaysia for approval;
- 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 Non-Executive Directors and Independent Directors;

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

- to ascertain the "fit and proper" criteria of each of the Directors;
- to review the training programmes attended by Directors during the financial year; and
- to recommend to the Board of Directors the re-election of the Directors who will be retiring at the forthcoming Twenty-Second AGM of the Company.

d) Risk Management Committee

Composition

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

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

Dato' Abdul Majit bin Ahmad Khan
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

- To review and recommend risk management strategies, policies and risk tolerance levels for Board's approval.
- 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.
- 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).
- 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.
- To review and recommend new policies or changes to policies and to consider their risk implications.
- 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
- To note & adopt the respective board minutes (or any other forms of documents that highlight the risk exposures and activities) of companies in the Group with respect to risk management activities carried out at that level.

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

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

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

d) Risk Management Committee (Cont'd)

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

- to review 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;
- to track the 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;
- to assess the risk profile of key operating subsidiaries of the Group including any significant issues raised and new development related to risk management;
- to review the robustness of any new risk management, financial and operating framework, policies and limits implemented for the Group and its operating subsidiaries;
- to review 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;
- to review the adequacy of risk management resources and rigorousness of the Group's risk management infrastructure including policies, processes, structure and system; and
- to assess the effectiveness of the risk awareness and review the 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

- 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.

C. BOARD COMMITTEES (CONT'D)

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

Functions and Duties (Cont'd)

- To grade the performance of each Eligible Grantee and to classify each Eligible Grantee into various performance grades.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- To modify and/or amend the By-Law(s) of the Scheme by resolution from time to time.

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

Members	Attendance
Dato' Abdul Majit bin Ahmad Khan	1/1
Wong Chong Kim	1/1

The key activity undertaken by the ESOS Committee during the year was to review and note the report of the ESOS.

This Statement on Corporate Governance was tabled and approved by the Board of Directors of the Company on 13 February 2012.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2011.

MEMBERSHIP

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

Chairman – Foo San Kan
Senior Independent Non-Executive Director

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

Dr Ngo Get Ping
Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2011, 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
Wong Chong Kim	4/4
Dr Ngo Get Ping	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 Corporate Strategy and Finance 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

Summary of Main Duties and Responsibilities

1. To oversee the functions of the Internal Audit Department and ensure compliance with relevant regulatory requirements;
2. 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;
3. To review the effectiveness of internal controls and risk management processes;
4. To review the appointment of external auditors, the audit fee and any question of resignation or dismissal and to make recommendations to the Board;
5. To review with the external auditors, their evaluation of the system of internal controls and their audit report;
6. 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;
7. To ensure fair and transparent reporting and prompt publication of the financial accounts;
8. To review and report to the Board of Directors on the quarterly results and year-end financial statements, prior to approval by the Board of Director, focusing particularly on:-
   - any change in or implementation of accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption;
   - significant and unusual events; and
   - compliance with accounting standards and other regulatory requirements.
9. 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.

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;
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;
5. Reviewed the self-assessment of the internal audit function conducted by the Internal Audit Department; and
6. Met with the Head of Group Internal Audit without the presence of the Management and there was no private issue.

Financial Reporting

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 Review 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.

The Committee had met with the external auditors twice without the presence of the Management and there was no private issue.

Related Party Transactions

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 recognises 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.

The total costs incurred for the internal audit function in respect of financial year 2011 amounted to RM2.18 million.

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 Group 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 Accounts 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;

STATEMENT ON INTERNAL CONTROL

KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- 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 review by Risk Management Committee either on periodic basis 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;

- 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 identify operational risks, improve and enhance the existing systems of internal controls, taking into consideration the changing business environment.

This Statement does not cover the following associated companies, namely UOB-OSK Asset Management Sdn Bhd, iFAST-OSK Sdn Bhd, iFast Capital Sdn Bhd, iFast Nominees Sdn Bhd, FA Corporate And Compliance Consultancy Sdn Bhd and jointly controlled operation of OSK GC-Millennium Capital Pte Ltd.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for financial year ended 31 December 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

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 2011 pursuant to the shareholders' mandate obtained at the Twenty-First Annual General Meeting are as follows:

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with OSK – Interested Directors (ID), Major Shareholders (MS) and Persons Connected (PC)	Actual Value RM'000
OSK Group	Procurement of insurance policies by OSK Group	DCSB Group	OLH, WCK, KCM, WAC, OJY, OYS, OJX, OYC, OYM (See Note 1)	937
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)	8,551
OSKIB	Institutional unit trust agent commission payable by OSK-UOB	OSK-UOB	OLH, OYS, WCK, KCM, OJY, OYS, OJX, OYC, OYM (See Note 3)	2,369

Note:-

(1) Mr. Ong Leong Huat @ Wong Joo Hwa (OLH) and Mr. Wong Chong Kim (WCK) are the brothers of Mr. Wong Ah Chiew (WAC), who is a director and substantial shareholder of DCSB. Madam Khor Chai Moi (KCM) is a director and substantial shareholder of DCSB, a shareholder of OSK and the spouse of OLH. OLH is a director of OSK, OSKIB, certain subsidiaries of OSK Group and a major shareholder of OSK while WCK is a director of OSK, Deputy Chief Executive Officer (DCEO) of OSKIB and certain subsidiaries of OSK Group.

Land Management Sdn Bhd (LMSB) is a substantial shareholder of DCSB. OLH and KCM are the substantial shareholders of LMSB. Ms. Ong Yin Suen (OYS), Mr. Ong Ju Xing (OJX) and Ms. Ong Yee Ching (OYC) are the directors of LMSB.

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

The principal activities of the DCSB Group comprise of investment holdings, property development, insurance, construction and design & build.

(2) 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 OSKVE, which in turn is a wholly-owned subsidiary of OSKVI.

OLH is a director of OSK, OSKIB, certain subsidiaries of OSK Group and also a major shareholder of OSK and OSKVI. OLH is the brother of WCK who is a director of OSKVI, OSK, DCEO of OSKIB and certain subsidiaries of OSK Group. OJY and OYM are directors of OSKVI and OSKVE. OYM is a director of Finexasia.

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

(3) 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 and also a major shareholder of OSK. OYS is a director of OSK-UOB.

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

ADDITIONAL DISCLOSURE

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

There was no materials contract entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2011.

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.

DEPOSITORY RECEIPT (DR) PROGRAMME

The Company did not sponsor any DR programme for the financial year ended 31 December 2011.

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 2011.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The Company had granted options under the 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. Subsequently, the shareholders had approved the extension of duration of ESOS which was due to expire on 17 February 2008 for another 5 years to 17 February 2013 at the Extraordinary General Meeting held on 17 November 2006. There is one (1) ESOS in existence during the financial year ended 31 December 2011 with information as follows:-

	During the financial year ended 31 December 2011	Since commencement of the ESOS on 21 May 2002
Total number of options or shares granted	-	45,873,309
Total number of options exercised or shares vested	1,933,849	34,970,409
Total options or shares outstanding	4,778,600	4,778,600

Granted to Directors and Chief Executive	During the financial year ended 31 December 2011	Since commencement of the ESOS on 21 May 2002
Aggregate number of options or shares granted	-	5,075,000
Aggregate number of options exercised or shares vested	437,500	2,637,500
Aggregate number of options or shares outstanding	-	2,437,500

EXECUTIVE SHARE OPTION SCHEME ("ESOS") (CONT'D)

Granted to Directors and senior management	During the financial year ended 31 December 2011	Since commencement of the ESOS on 21 May 2002
Aggregate maximum allocation in percentage	-	20.22
Actual percentage granted	-	11.40

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 2011, 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 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiary, associated companies and a jointly controlled entity are described in Note 48 and changes in composition of the Group are disclosed in Note 49 to the financial statements. There have been no significant changes in the nature of these activities during the year, other than as disclosed in Notes 48 and 49.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit attributable to:		
- Owners of the Company	51,415	12,784
- Non-controlling interests	20,366	-
	71,781	**12,784**

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'000
(a)	A final dividend of 5.0 sen per share less 25% income tax in respect of the preceding year ended 31 December 2010 was paid on 19 May 2011	35,214
(b)	An interim dividend of 2.5 sen per share less 25% income tax for the year ended 31 December 2011 was paid on 14 September 2011	17,614
		52,828

The Board of Directors recommends final dividends of : (i) a 2.0 sen per share less 25% income tax; and (ii) a distribution of one (1) treasury share for every forty (40) ordinary shares held, for the current financial year ended 31 December 2011 (2010: 5.0 sen per share less 25% income tax). The proposed dividends are subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date to the final dividends shall be determined by the Board of Directors at the subsequent stage.

The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity in the next financial year ending 31 December 2012.

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
Dato' Abdul Majit bin Ahmad Khan
Dr Ngo Get Ping

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 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 1.1.2011	Acquired	Disposed	As at 31.12.2011
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	16,225,000	163,100	-	16,388,100
Ong Leong Huat @ Wong Joo Hwa	285,951,158	-	-	285,951,158
Wong Chong Kim	1,406,658	437,500~	-	1,844,158
Indirect interest				
Ong Leong Huat @ Wong Joo Hwa * <	16,578,988	179,931	-	16,758,919
Wong Chong Kim * <	931,117	-	-	931,117

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 1.1.2011	Granted	Exercised	As at 31.12.2011
Direct interest				
Ong Leong Huat @ Wong Joo Hwa	1,875,000	-	-	1,875,000
Wong Chong Kim	1,000,000	-	(437,500)	562,500

The options over ordinary shares were granted pursuant to the Company's ESOS as disclosed in Note 28(a).

~ Represents acquisition by exercising options over ordinary shares granted.
* Pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007 in relation to shares 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 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, other than the wholly-owned subsidiary companies, are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
OSK-UOB Investment Management Berhad (formerly known as OSK-UOB Unit Trust Management Berhad)	7,000,000	-	-	7,000,000

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
OSK-UOB Islamic Fund Management Berhad	5,880,000	490,000	-	6,370,000

	Number of ordinary shares/amount (SGD)			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
DMG & Partners Securities Pte Ltd	38,250,000	-	-	38,250,000

	Number of ordinary shares of HKD1 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
OSK Holdings Hong Kong Limited	187,000,000	-	-	187,000,000

	Number of ordinary shares of IDR1,000,000 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
PT OSK Nusadana Securities Indonesia	52,041	52,041	-	104,082

DIRECTORS' INTERESTS (CONT'D)

(b) Other subsidiary companies (Cont'd)

	Number of ordinary shares of IDR1,000,000 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
PT OSK Nusadana Asset Management	12,652	12,750	-	25,402

	Number of ordinary shares of THB1 each			
	As at 1.1.2011	Acquired	Disposed	As at 31.12.2011
OSK Securities (Thailand) Public Company Limited (formerly known as BFIT Securities Public Company Limited)	-	797,389,735	-	797,389,735

Other than as disclosed above, the other Directors in office at the end of the year did not hold any shares 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(a) 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

(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.

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

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 28 February 2012.

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

Kuala Lumpur, Malaysia
28 February 2012

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 66 to 238 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 2011 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 28 February 2012.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia
28 February 2012

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

I, Wong Chong Kim, being the director primarily responsible for the financial management of OSK Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 66 to 239 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 28 February 2012

Wong Chong Kim

Before me,

Kuala Lumpur, Malaysia
28 February 2012

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of OSK Holdings Berhad, which comprise the statements of financial position as at 31 December 2011 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 66 to 238.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standard in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines, and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 2011 and of the financial performances 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 Act 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 Act.

(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 explanation 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 Act.

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 239 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 Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 2844/02/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2012

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Cash and short term funds	5	2,399,121	1,552,881	2,546	4,306
Deposits and placements with a bank	6	50,000	-	-	-
Securities purchased under resale agreements	7	-	111,486	-	-
Securities portfolio					
- Securities held-for-trading	8(a)	313,340	648,996	25,329	23,844
- Securities held-to-maturity	8(b)	639,896	662,427	-	-
- Securities available-for-sale	8(c)	3,230,790	2,795,866	-	-
		4,184,026	4,107,289	25,329	23,844
Derivative financial assets	9	8,401	90,297	-	-
Loans, advances and financing	10	1,640,507	1,347,447	-	-
Tax recoverable		10,805	6,930	3,879	5,987
Trade receivables	11	1,523,629	2,042,502	-	-
Other assets	12	121,462	96,236	1,945	18,600
Statutory and reserve deposits with Central Banks	13	213,334	69,678	-	-
Deferred tax assets	14(a)	11,957	481	-	-
Investments in subsidiary companies	15	-	-	1,021,666	1,010,020
Investments in associated companies and a jointly controlled entity	16	23,394	21,146	-	-
Investment property	17	149,000	134,000	-	-
Property and equipment	18	199,754	184,441	1	2
Intangible assets	19	232,037	223,888	69	38
TOTAL ASSETS		**10,767,427**	**9,988,702**	**1,055,435**	**1,062,797**

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011 (CONT'D)

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
LIABILITIES					
Deposits from customers	20	4,710,153	3,872,805	-	-
Deposits and placements of banks and other financial institutions	21	658,749	669,769	-	-
Obligations on securities sold under repurchase agreements	22	291,083	-	-	-
Derivative financial liabilities	23	108,867	149,749	-	-
Trade payables	24	2,387,974	2,657,196	-	-
Other liabilities	25	205,969	209,423	101,291	65,423
Tax payable		11,182	23,878	-	-
Deferred tax liabilities	14(b)	4,106	1,812	4	686
Borrowings	26	239,117	410,619	-	4,434
Subordinated notes	27	400,000	300,000	-	-
TOTAL LIABILITIES		**9,017,200**	**8,295,251**	**101,295**	**70,543**
EQUITY					
Share capital	28	964,145	962,211	964,145	962,211
Less: Treasury shares	29	(29,789)	(29,785)	(29,789)	(29,785)
		934,356	932,426	934,356	932,426
Reserves	30	514,683	516,284	19,784	59,828
Equity attributable to owners of the Company		1,449,039	1,448,710	954,140	992,254
Non-controlling interests		301,188	244,741	-	-
TOTAL EQUITY		**1,750,227**	**1,693,451**	**954,140**	**992,254**
TOTAL LIABILITIES AND EQUITY		**10,767,427**	**9,988,702**	**1,055,435**	**1,062,797**
COMMITMENTS AND CONTINGENCIES	51	**3,938,725**	**3,168,836**	**-**	**-**

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Revenue		**1,051,384**	**1,012,205**	**7,821**	**50,201**
Interest income	31	300,789	262,335	31	1,391
Interest expense	32	(200,040)	(140,542)	(2,854)	(2,438)
Net interest income/(expense)		100,749	121,793	(2,823)	(1,047)
Net income from Islamic banking operations	52(b)	8,984	6,085	-	-
Non-interest income	33	725,329	744,878	16,642	58,949
Other operating expenses	34	(669,872)	(626,282)	(1,227)	(1,774)
Allowance for impairment losses on loans, advances and financing	35	(2,048)	(6,691)	-	-
Allowance for impairment losses on trade and other receivables	36	(2,681)	(1,327)	-	-
Allowance for impairment losses on investments and intangibles	37	(70,083)	(46,508)	-	-
Share of results after tax of associated companies		2,802	3,023	-	-
Profit before tax		**93,180**	**194,971**	**12,592**	**56,128**
Income tax (expense)/benefit and zakat	38	(21,399)	(43,716)	192	(11,646)
Profit after tax for the year		**71,781**	**151,255**	**12,784**	**44,482**
Profit attributable to:					
Owners of the Company		51,415	117,613		
Non-controlling interests		20,366	33,642		
		71,781	**151,255**		
Earnings per share attributable to owners of the Company (sen):					
Basic	39(a)	5.47	12.78		
Diluted	39(b)	5.46	12.74		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit after tax for the year	**71,781**	**151,255**	**12,784**	**44,482**
Other comprehensive income/(loss)				
Foreign currency translation gain/(loss)	11,895	(34,388)	-	-
Reversal of available-for-sale deficit upon impairment	-	3,391	-	-
Reversal of available-for-sale gain upon disposal	(6,020)	(2,623)	-	-
Unrealised net gain on revaluation of securities available-for-sale	1,889	6,861	-	-
Share of other reserves in associated group	(846)	-	-	-
Income tax relating to components of other comprehensive income	1,935	(1,907)	-	-
Other comprehensive income/(loss) for the year, net of tax	**8,853**	**(28,666)**	**-**	**-**
Total comprehensive income for the year, net of tax	**80,634**	**122,589**	**12,784**	**44,482**
Total comprehensive income attributable to:				
Owners of the Company	49,400	96,072	12,784	44,482
Non-controlling interests	31,234	26,517	-	-
	80,634	**122,589**	**12,784**	**44,482**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

Group	Distributable	Non-Distributable					Distributable		Non-controlling interests	Total equity
	Attributable to owners of the Company										
	Share capital (Note 28)	Treasury shares (Note 29)	Statutory reserves (Note 30)	Equity compen-sation reserve (Note 30)	Foreign exchange reserves (Note 30)	Available -for-sale reserves (Note 30)	Other reserve (Note 30)	Retained profits (Note 30)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	962,211	(29,785)	228,992	779	(20,652)	(1,439)	-	308,604	1,448,710	244,741	1,693,451
Total comprehensive income/(loss)	-	-	-	-	7,661	(8,830)	(846)	51,415	49,400	31,234	80,634
Dividends paid to owners of the Company [Note 40]	-	-	-	-	-	-	-	(52,828)	(52,828)	-	(52,828)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(11,936)	(11,936)
Share issued pursuant to exercise of ESOS [Note 28(a)]	1,934	-	-	-	-	-	-	-	1,934	-	1,934
Share buybacks by the Company	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	-	(198)	-	-	-	198	-	-	-
Accretion on deemed disposal of interest in associated group	-	-	-	-	-	-	-	1,665	1,665	-	1,665
Accretion on additional interest in a subsidiary company	-	-	-	-	-	-	-	162	162	(162)	-
Share options exercised by non-controlling interests in a subsidiary company	-	-	-	-	-	-	-	-	-	25	25
Acquisition of subsidiary companies [Note 49(c),(e)]	-	-	-	-	-	-	-	-	-	103,724	103,724
Accretion on acquisition of a subsidiary company	-	-	-	-	-	-	-	-	-	(43)	(43)
Acquisition of shares from non-controlling interests [Note 49(e)]	-	-	-	-	-	-	-	-	-	(98,487)	(98,487)
Dilution of interests from subscription of additional shares in a subsidiary company by non-controlling interests	-	-	-	-	-	-	-	-	-	22	22
Subscription of additional shares in subsidiary companies by non-controlling interests [Note 49(d),(i)]	-	-	-	-	-	-	-	-	-	32,070	32,070
Transfer to statutory reserves	-	-	10,545	-	-	-	-	(10,545)	-	-	-
Total transactions with owners	1,934	(4)	10,545	(198)	-	-	-	(61,348)	(49,071)	25,213	(23,858)
At 31 December 2011	**964,145**	**(29,789)**	**239,537**	**581**	**(12,991)**	**(10,269)**	**(846)**	**298,671**	**1,449,039**	**301,188**	**1,750,227**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONT'D)

Group	Distributable		Non-Distributable					Distributable		Non-controlling interests	Total equity
	Attributable to owners of the Company										
	Share capital (Note 28)	Treasury shares (Note 29)	Statutory reserve (Note 30)	Share premium (Note 30)	Equity compen-sation reserve (Note 30)	Foreign exchange reserves (Note 30)	Available -for-sale reserves (Note 30)	Retained profits (Note 30)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	678,665	(29,782)	206,078	502	1,094	6,616	(9,024)	432,992	1,287,141	224,547	1,511,688
Effects of adoption of FRS 139	-	-	-	-	-	-	1,858	(3,325)	(1,467)	-	(1,467)
As restated	678,665	(29,782)	206,078	502	1,094	6,616	(7,166)	429,667	1,285,674	224,547	1,510,221
Total comprehensive (loss)/income	-	-	-	-	-	(27,268)	5,727	117,613	96,072	26,517	122,589
Dividends paid to owners of the Company [Note 40]	-	-	-	-	-	-	-	(52,710)	(52,710)	-	(52,710)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,699)	(8,699)
Share issued pursuant to:											
- exercise of ESOS [Note 28(a)]	2,550	-	-	30	-	-	-	-	2,580	-	2,580
- conversion of Warrant B 2000/2010 [Note 28(b)]	116,324	-	-	803	-	-	-	-	117,127	-	117,127
- bonus issue [Note 28(c)]	164,672	-	-	(1,335)	-	-	-	(163,337)	-	-	-
Share buybacks by the Company	-	(3)	-	-	-	-	-	-	(3)	-	(3)
Reserve reversed upon exercise of ESOS	-	-	-	-	(315)	-	-	315	-	-	-
Dilution arising from subscription of additional shares in a subsidiary company	-	-	-	-	-	-	-	(30)	(30)	30	-
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-	-	(1,254)	(1,254)
Subscription of additional shares in a subsidiary company by non-controlling interests	-	-	-	-	-	-	-	-	-	3,600	3,600
Transfer to statutory reserve	-	-	22,914	-	-	-	-	(22,914)	-	-	-
Total transactions with owners	283,546	(3)	22,914	(502)	(315)	-	-	(238,676)	66,964	(6,323)	60,641
At 31 December 2010	**962,211**	**(29,785)**	**228,992**	**-**	**779**	**(20,652)**	**(1,439)**	**308,604**	**1,448,710**	**244,741**	**1,693,451**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONT'D)

Company

		Distributable	Non-distributable	Distributable	
	Share capital (Note 28)	Treasury shares (Note 29)	Equity compensation reserve (Note 30)	Retained profits (Note 30)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	962,211	(29,785)	779	59,049	992,254
Total comprehensive income	-	-	-	12,784	12,784
Dividends paid to the owners of the Company (Note 40)	-	-	-	(52,828)	(52,828)
Share issued pursuant to exercise of ESOS [Note 28(a)]	1,934	-	-	-	1,934
Share buybacks by the Company	-	(4)	-	-	(4)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(198)	198	-
Total transactions	1,934	(4)	(198)	(52,630)	(50,898)
At 31 December 2011	**964,145**	**(29,789)**	**581**	**19,203**	**954,140**

		Distributable	Non-distributable		Distributable	
	Share capital (Note 28)	Treasury shares (Note 29)	Equity compensation reserve (Note 30)	Share premium (Note 30)	Retained profits (Note 30)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	678,665	(29,782)	1,094	502	230,419	880,898
Effects of adoption of FRS 139	-	-	-	-	(120)	(120)
As restated	678,665	(29,782)	1,094	502	230,299	880,778
Total comprehensive income	-	-	-	-	44,482	44,482
Dividends paid to the owners of the Company (Note 40)	-	-	-	-	(52,710)	(52,710)
Share issued pursuant to:						
- exercise of ESOS [Note 28(a)]	2,550	-	-	30	-	2,580
- conversion of Warrant B 2000/2010 [Note 28(b)]	116,324	-	-	803	-	117,127
- bonus issue [Note 28(c)]	164,672	-	-	(1,335)	(163,337)	-
Share buybacks by the Company	-	(3)	-	-	-	(3)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(315)	-	315	-
Total transactions	283,546	(3)	(315)	(502)	(215,732)	66,994
At 31 December 2010	**962,211**	**(29,785)**	**779**	**-**	**59,049**	**992,254**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		93,180	194,971	12,592	56,128
Adjustments for:					
Interest income		(25,802)	(28,274)	(31)	(1,172)
Interest expense		7,671	8,522	2,854	2,438
Gross dividend income	33(c)	(2,997)	(2,361)	(11,932)	(47,628)
Gain arising from sales of securities and derivatives	33(b)	(90,723)	(47,501)	(731)	(2,221)
Unrealised (gain)/loss on:					
- revaluation of securities HFT	33(d)	(15,840)	(694)	4,590	766
- revaluation of derivative financial instruments	33(d)	21,825	73,466	-	-
- foreign exchange	33(f)	26,393	(20,116)	-	-
Gain on revaluation of an investment property	33(g)	(15,000)	(21,400)	-	-
Net loss/(gain) on disposal of property and equipment	34	23	(518)	-	-
Gain on disposals of intangible assets	33(g)	(2,197)	-	-	-
Depreciation and amortisation	34(c)	21,155	16,890	1	1
Property and equipment written off	34	20	503	-	-
(Reversal of)/Provision for interest cost for legal suits		(1,015)	469	-	-
Allowance for impairment losses (net):					
- receivables	36	2,483	1,392	-	-
- loans, advances and financing	35	1,725	6,235	-	-
Bad debts written off	35,36	2,247	837	-	-
Allowance for impairment losses on investments and intangibles	37	70,083	46,508	-	-
Financial guarantee income capitalised as investment in subsidiary companies	33(g)	-	-	(8,852)	(10,139)
Transfer to profit equalisation reserves	52(b)	1,289	237	-	-
Dilution of interests from subscription of additional shares in a subsidiary company by non-controlling interests	49(j)	22	-	-	-
Loss on members' voluntary winding up of subsidiary companies	33(g)	455	-	78	-
Negative goodwill on acquisition of a subsidiary company	33(g)	(87)	-	-	-
Share of results after tax of associated companies		(2,802)	(3,023)	-	-
Operating profit/(loss) before working capital changes		92,108	226,143	(1,431)	(1,827)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
(Increase)/Decrease in operating assets:					
Cash held in segregated accounts		(172,045)	(103,791)	-	-
Deposits and placements with banks and other financial institutions		(50,000)	50,000	-	-
Securities purchased under resale agreements		111,486	(111,117)	-	-
Securities held-for-trading		355,832	(415,632)	(5,344)	3,243
Securities held-to-maturity		(20,062)	362,180	-	-
Securities available-for-sale		(376,621)	(66,691)	-	-
Derivative financial assets		74,238	(23,578)	-	(37)
Loans, advances and financing		(296,835)	(483,787)	-	-
Trade and other receivables		520,461	569,735	3,479	(3,420)
Security deposits		(686)	(3,435)	-	-
Amounts due from subsidiary companies		-	-	13,176	(10,161)
Statutory and reserve deposits with Central Banks		(143,656)	(22,005)	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		837,348	(482,891)	-	-
Deposits and placements of banks and other financial institutions		(11,020)	495,546	-	-
Obligations on securities sold under repurchase agreements		291,083	-	-	-
Derivative financial liabilities		43,114	37,497	-	-
Trade and other payables		(288,556)	(420,174)	79	7
Amounts due to:					
- an associated company		(759)	(510)	-	-
- subsidiary companies		-	-	35,077	(17,499)
Cash generated from/(used in) operations		965,430	(392,510)	45,036	(29,694)
Income tax paid		(50,241)	(46,862)	-	-
Refund of income tax		4,040	2,345	4,040	2,345
Net cash generated from/(used in) operating activities		**919,229**	**(437,027)**	**49,076**	**(27,349)**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONT'D)

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash outflow from members' voluntary winding up of subsidiary companies		(8)	-	-	-
Net cash outflow from acquisition of subsidiary companies	49(c), (e)	(20,529)	-	-	-
Acquisition of additional investment in:					
- subsidiary companies	49(c)	-	(1,254)	(2,169)	(51,300)
- an associated company	49(a)	(2,000)	-	-	-
Acquisition of shares from non-controlling interests	49(e)	(98,487)	-	-	-
Investments in a jointly controlled entity	49(k)	(10)	-	-	-
Subscription of shares in subsidiary company by non-controlling interests	49(e)	25	-	-	-
Dividends received		6,142	4,354	9,509	35,761
Interest received		31	135	31	-
Payment for trademarks		(31)	(22)	(31)	(22)
Payment for licences		-	(6,229)	-	-
Proceeds from disposals of:					
- property and equipment		624	2,674	-	-
- intangible assets		2,962	-	-	-
Capital repayment from a subsidiary company in Members' Voluntary Liquidation		-	-	10	-
Purchase of:					
- property and equipment	18	(33,210)	(30,313)	-	-
- software licences	19(f)	(9,217)	(10,565)	-	-
Net cash (used in)/generated from investing activities		**(153,708)**	**(41,220)**	**7,350**	**(15,561)**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONT'D)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- non-controlling interests		(11,936)	(8,699)	-	-
- owners of the Company	40	(52,828)	(52,710)	(52,828)	(52,710)
(Repayment)/drawdown of revolving credits		(167,189)	121,645	-	-
Interest paid		(7,671)	(8,522)	(2,854)	(627)
Repayment of term loans		(4,435)	(25,000)	(4,434)	(25,000)
Share buybacks by:					
- the Company	29	(4)	(3)	(4)	(3)
Proceeds from issuance of:					
- subordinated notes		100,000	200,000	-	-
- shares pursuant to:					
- exercise of ESOS	28(a)	1,934	2,580	1,934	2,580
- conversion of Warrant B 2000/2010	28(b)	-	117,127	-	117,127
Proceeds from subscription of shares by non-controlling interests		32,070	3,600	-	-
Net cash (used in)/generated from financing activities		**(110,059)**	**350,018**	**(58,186)**	**41,367**
Net increase/(decrease) in cash and cash equivalents		655,462	(128,229)	(1,760)	(1,543)
Effects of exchange rate changes		18,612	(33,870)	-	-
Cash and cash equivalents at beginning of year		664,479	826,578	4,306	5,849
Cash and cash equivalents at end of year		**1,338,553**	**664,479**	**2,546**	**4,306**
Cash and cash equivalents at end of year comprised:					
Cash, bank balances and deposits					
- General accounts	5(a)	557,828	358,602	2,546	4,306
Money at call and deposits placements with maturities within one month	5(c)	780,847	305,877	-	-
Bank overdraft	26	(122)	-	-	-
		1,338,553	**664,479**	**2,546**	**4,306**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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, associated companies and a jointly controlled entity are described in Note 48 and changes in composition of the Group are disclosed in Note 49 to the financial statements. There have been no significant changes in the nature of these activities during the year, other than as disclosed in Notes 48 and 49.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2012.

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 property, 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") and all values are rounded to the nearest thousand (RM'000), 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 Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines.

(b) Adoption of FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TR") for the 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 2010 except for the adoption of the following FRSs, amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TR") which are effective for annual periods beginning on and after these dates as shown below:

1 March 2010	
Amendments to FRS 132	Financial Instruments: Presentation - Classification of Rights Issues
1 July 2010	
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
30 August 2010	
Amendments to IC Interpretation 15	Agreements for the Construction of Real Estate
31 December 2010	
TR 3	Guidance on Disclosures of Transition to IFRSs

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

(b) Adoption of FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TR") for the Financial Year (Cont'd)

1 January 2011

Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 101	Presentation of Financial Statements
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
Amendments to FRS 128	Investments in Associates
Amendments to FRS 131	Interests in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 13	Customer Loyalty Programmes
TR i-4	Shariah Compliant Sale Contracts

The adoption of Amendments to FRS 7 which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy, will only affect disclosures and will not have any impact on the results of the Group. Adoption of other FRSs, amendments to FRSs, IC Interpretations and TR did not have any significant effect on the financial performance or position of the Group. The adoption of FRSs and amendments to FRSs are discussed below:

(i) FRS 3 Business Combinations (Revised) and Amendments to FRS 3

The revised FRS 3 and Amendments to FRS 3 introduce changes in the accounting for business combination occurring after 1 July 2010 and 1 January 2011 respectively and are applied prospectively. The FRS and amendment establish principles for recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interests in acquiree. Each identifiable asset and liability is measured at its acquisition-date fair value. Any non-controlling interests in an acquiree is measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by FRSs.

Goodwill is measured at the difference between the aggregate of the consideration transferred, any non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, as compared to the net identifiable assets acquired. If the acquirer has made a gain from a bargain purchase, that gain is recognised in the income statement. The FRS also provides accounting requirements for reacquired rights, contingent liabilities, contingent consideration and indemnification assets.

Acquisition-related costs are no longer capitalised but are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

(b) Adoption of FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Releases ("TR") for the Financial Year (Cont'd)

(ii) FRS 127 Consolidated and Separate Financial Statements

The main changes include the accounting for changes in ownership interest in a subsidiary, where changes in ownership which do not result in the loss of control are now accounted for within equity instead of in the income statement. When an entity loses control of a subsidiary, it derecognises the assets and liabilities and related equity components of the former subsidiary, any remaining investment retained is remeasured at fair value at the date when control is lost and a gain or loss is recognised in the income statement. The term "minority interests" was replaced by the term "non-controlling interests", with a new definition. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests, even if it results in the non-controlling interests having a deficit balance.

The revised FRS 127 requires retrospective application with certain exceptions as permitted under this standard.

(c) IC Interpretations issued but not yet effective

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

IC Interpretations		**Effective for financial periods beginning on or after**
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011

The above IC Interpretations are not expected to have a material impact to the financial statements of the Group in the initial period of application.

(d) Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

(e) 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.

Classification of assets, liabilities and operations of OSK Investment Bank Berhad ("OSKIB") group

As disclosed in Notes 45(b) and 46(a), the Company is in the process of negotiation with RHB Capital Berhad for a possible merger of businesses of OSKIB group and RHB banking group. The Directors have considered the requirements of FRS 5 Non-Current Assets Held for Sale and Discontinued Operations and concluded that as at 31 December 2011, the proposed disposal of OSKIB group is subject to regulators' approvals and then the approval of shareholders of the Company at dates to be determined. As stipulated by the relevant regulatory rules, the Group requires at least 75% in value of the shareholders present and voting in person or by proxy in order for the proposal to be approved.

The Directors are of the view that the criteria of 'highly probable' required under FRS 5 has not been met for this possible merger. Accordingly, the businesses of OSKIB group have not been presented and disclosed as non-current assets held for sale under FRS 5 in the financial statements of the current financial year.

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.

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

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

(i) Judgements (Cont'd)

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 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 disclosed in Note 53 to the financial statements.

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

OSKIB holds 91% of units issued by OSK Nusadana Indonesia Dynamic Resources Plus ("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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

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

(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 2011 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 19 to the financial statements.

Fair value estimation of unquoted investments

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 their 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.

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 makes 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.

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

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

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

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 statements. The investment property of the Group is held to earn rental income or for capital appreciation or both. For the financial year ended 31 December 2011, the Group engaged independent valuation specialists to determine fair value. The fair value was determined primarily using the comparison method of valuation, which entails comparing recorded transactions of similar properties in the vicinity.

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.

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 a subsidiary, 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 1.5 to 4.5 years from the reporting date, the Group will continue to review its assumption over the expected duration.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary companies, basis of consolidation, associated companies and jointly controlled entities

(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 therefrom.

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 income statement.

(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 non-controlling 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.

Non-controlling 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.

The assets and liabilities of the newly acquired subsidiary companies are measured at their fair values at the date of acquisition. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Any excess of the aggregate of the fair value of consideration transferred in the business combination, the amount of non-controlling interest in the acquired subsidiary companies (if any), and the fair value of the Group's previously held equity interest in the acquired subsidiary companies (if any), over the net fair value of the acquired subsidiary companies's identifiable assets and liabilities is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(e)(i). In instances where the latter amount exceeds the former, the excess is recognised as a gain from a bargain purchase in income statement on the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Associated companies

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

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting based on the audited or management financial statements of the associated companies. The equity method of accounting involves recognition of the Group's share of the results of associated companies in the consolidated income statement. The Group's investments in associated companies are carried in the consolidated 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) Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financing and operating decisions.

The Group's share of the profit or loss and other comprehensive income of the joint ventures on an equity-accounted basis are disclosed in the notes to these financial statements. When the Group's share of losses and other comprehensive income exceeds its interest in the joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture investee.

Investments in joint ventures are stated in the Group's statements of financial position at cost (including transaction costs) less accumulated impairment losses.

(v) Transactions with non-controlling interests

Non-controlling 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 non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and the fair value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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).

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 income statement 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments in subsidiary companies, associated companies and jointly controlled entity

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

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

(e) Intangible assets

(i) Goodwill on consolidation 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 income statement. 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 income statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (Cont'd)

(ii) Other intangible assets (Cont'd)

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 income statement when the asset is derecognised.

o **Trading rights and memberships**

The trading rights and the memberships are recognised as intangible assets in the statements of financial position. Trading rights and memberships have indefinite useful lives 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.

o **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.

o **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 assesses 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 income statement 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 income statement 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 income statement. 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 income statement 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 disclosed in Note 3(b).

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:

	2011	2010
Closing rate		
United States Dollar ("USD")	3.17700	3.08350
Singapore Dollar ("SGD")	2.44270	2.38590
Hong Kong Dollar ("HKD")	0.40890	0.39615
Indonesian Rupiah ("IDR")	0.00035	0.00034
Khmer Riel ("KHR")	0.00078	0.00076
Thai Baht ("THB")	0.10010	-
Average rate		
United States Dollar ("USD")	3.05967	3.22950
Singapore Dollar ("SGD")	2.43145	2.36715
Hong Kong Dollar ("HKD")	0.39303	0.41566
Indonesian Rupiah ("IDR")	0.00035	0.00035
Khmer Riel ("KHR")	0.00075	0.00077
Thai Baht ("THB")	0.09999	-

(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
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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 or loss on disposal of investments is recognised upon the transfer of risks and rewards of ownership.

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

(xi) Dividend income is recognised when the right to receive payment is established.

(xii) Rental income is recognised on an accrual basis rateable over the tenancy period.

(xiii) Revenue from the sales of oil palm fresh fruit bunches is recognised when the goods are invoiced.

(xiv) Other revenue is recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia and Singapore make contributions to the respective statutory pension schemes, the Employees Provident Fund ("EPF") and the Central Provident Fund ("CPF") respectively. 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.

The Thailand subsidiary company and its employees has jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the subsidiary company contributed to the fund monthly at the rate of 3% to 6% of basic salary. The fund is managed by a local asset management company.

(iii) Share-based compensation

The Group adopts an equity-settled, share-based compensation scheme, Executive Share Option Scheme ("ESOS") as disclosed in Note 28(a). 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 statements 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 income statements except to the extent that the tax relates to items recognised outside income statements, 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 income statement is recognised outside income statement. 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 income statements. 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 income statements as part of other losses or other income.

NOTES TO THE FINANCIAL STATEMENTS
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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 rate method. Gains and losses are recognised in income statements 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 loans and receivables. Such assets are recognised initially at fair value plus any directly attributable transaction cost.

  Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when the loan and receivables are derecognised or impaired. Financial assets classified in this category include cash and short term funds, trade receivables and other assets.

- **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 rate method are recognised in income statements. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statements as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest rate method is recognised in income statements. Dividends on an available-for-sale equity instrument are recognised in income statements 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 income statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial assets (Cont'd)

(iii) Impairment of financial assets

Securities HTM, loan and receivables

The Group assesses 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 income statements.

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 income statements.

The Group has 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 certain subsidiaries against possible losses which is not specifically identified. The collective impairment assessment made by these subsidiaries conforms with the minimum rate of 1.5% specified by Bank Negara Malaysia in accordance with the transitional provision in BNM's Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("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/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.

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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 income statement, is transferred from equity to income statements.

Impairment losses on available-for-sale equity investments are not reversed in income statements 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 income statements 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 income statements.

(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 statements.

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 statements.

- **Call Warrants ("CW")**

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 Malaysia Securities Berhad. The CW liabilities are subsequently remeasured at market value based on day end ask price.

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

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

- **Structured Investments**

Structured investments are initially recognised at the portion of reinvested investment, net of relevant transaction costs and fee earned by OSKIB. The structured investment liabilities are subsequently remeasured at indicative value, measured based on the expected payout that is dependent on the cumulative return of a certain basket of quoted equity securities 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 Group or the Company becomes 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 income statements. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's other financial liabilities include trade payables, other payables, 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 rate 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 rate method.

For other financial liabilities, gains and losses are recognised in income statements 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 income statements.

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 income statement 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 income statements 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 income statements.

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 ("SC") and Bursa Securities. The Group's stockbroking business in Singapore, Hong Kong, Indonesia, Thailand and Cambodia 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, Singapore and Thailand 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 an investment banking subsidiary company and applicable Prakas issued by the National Bank of Cambodia for a banking subsidiary company.

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 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. The Group participates in arbitrage activities involving derivatives. 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, Thailand 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 are 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 bunches 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, Khmer Riel and Thai Baht, 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, Indonesian Rupiah and Thai Baht 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.

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5. CASH AND SHORT TERM FUNDS

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
(a) General accounts					
Cash and bank balances with banks and other financial institutions		364,480	291,218	2,525	149
Current accounts:					
- Bank Negara Malaysia		7,870	5,341	-	-
- National Bank of Cambodia		23,802	3,447	-	-
Deposits with:					
- licensed banks		161,155	52,399	-	-
- licensed investment banks		521	6,197	21	4,157
		557,828	358,602	2,546	4,306
(b) Segregated accounts	(i)				
Balances with banks and other financial institutions		334,542	312,308	-	-
Deposits with:					
- licensed banks		725,904	432,127	-	-
- licensed investment banks		-	143,967	-	-
		1,060,446	888,402	-	-
(c) Money at call and deposits placements with maturities within one month					
Licensed banks		508,147	252,877	-	-
Licensed investment banks		84,700	20,000	-	-
Bank Negara Malaysia		188,000	33,000	-	-
		780,847	305,877	-	-
		2,399,121	**1,552,881**	**2,546**	**4,306**

(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
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6. DEPOSITS AND PLACEMENTS WITH A BANK

	Group	
	2011 RM'000	2010 RM'000
Money at call and deposit placements with remaining maturities of more than one month:		
Licensed investment bank	**50,000**	**-**

7. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group	
	2011 RM'000	2010 RM'000
The underlying securities purchased under resale agreements are as follows:		
Malaysian Government Securities	-	59,886
Quoted shares outside Malaysia	-	51,600
	-	**111,486**

8. SECURITIES PORTFOLIO

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Securities held-for-trading				
At fair value				
Money market instruments:				
Malaysian Government Investment Issue	40,901	-	-	-
Malaysian Government Securities	30,482	-	-	-
	71,383	-	-	-
Quoted securities:				
Shares and exchange traded funds				
- in Malaysia	159,903	228,571	169	10,826
- outside Malaysia	35,800	70,313	25,160	13,018
	195,703	298,884	25,329	23,844

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Securities held-for-trading (Cont'd)				
Trust units				
- in Malaysia	1,918	1,049	-	-
- outside Malaysia	10,324	-	-	-
	12,242	1,049	-	-
Private debt securities outside Malaysia	9,075	-	-	-
	217,020	299,933	25,329	23,844
Unquoted securities:				
Private debt securities				
- in Malaysia	-	41,100	-	-
- outside Malaysia	24,937	307,963	-	-
	24,937	349,063	-	-
Total	**313,340**	**648,996**	**25,329**	**23,844**
(b) Securities held-to-maturity				
At amortised cost				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	-	9,789	-	-
Cagamas bonds	5,014	5,037	-	-
Malaysian Government Investment Issue	140,145	185,441	-	-
Negotiable instruments of deposit	70,000	110,000	-	-
	215,159	310,267	-	-
Unquoted securities:				
Private and Islamic debt securities				
- in Malaysia	339,584	346,143	-	-
- outside Malaysia	138,612	12,861	-	-
	478,196	359,004	-	-
Less: Accumulated impairment losses	(53,459)	(6,844)	-	-
	424,737	352,160	-	-
Total	**639,896**	**662,427**	**-**	**-**

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8. SECURITIES PORTFOLIO (CONT'D)

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
(c) Securities available-for-sale				
At fair value				
Money market instruments:				
Bankers' acceptance and Islamic accepted bills	300,132	431,730	-	-
Cagamas bonds	5,008	7,041	-	-
Malaysian Government Investment Issue	408,233	160,620	-	-
Malaysian Government Securities	432,145	610,456	-	-
Negotiable instruments of deposit	159,637	80,301	-	-
	1,305,155	1,290,148	-	-
Quoted securities:				
Shares and warrants				
- in Malaysia	6,759	940	-	-
- outside Malaysia	3,268	8,784	-	-
	10,027	9,724	-	-
Trust units				
- in Malaysia	2,645	-	-	-
- outside Malaysia	17,427	9,200	-	-
	20,072	9,200	-	-
	30,099	18,924	-	-
Unquoted securities:				
Shares and warrants				
- in Malaysia	5,481	7,284	-	-
- outside Malaysia	19,816	3,228	-	-
	25,297	10,512	-	-
Private and Islamic debt securities				
- in Malaysia	916,587	1,040,274	-	-
- outside Malaysia	1,041,911	500,798	-	-
	1,958,498	1,541,072	-	-
Less: Accumulated impairment losses	(88,259)	(64,790)	-	-
	1,870,239	1,476,282	-	-
	1,895,536	1,486,794	-	-
Total	**3,230,790**	**2,795,866**	**-**	**-**
Total securities portfolio	**4,184,026**	**4,107,289**	**25,329**	**23,844**

Included in securities available-for-sale are securities sold under repurchase agreements as disclosed in Note 22:

	Group	
	2011 RM'000	**2010 RM'000**
Private debts securities outside Malaysia	**351,361**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

9. DERIVATIVE FINANCIAL ASSETS

	Group	
	2011	**2010**
	RM'000	**RM'000**
At fair value		
Equity related contracts - Options	131	50,707
Commodities related contracts - Futures	-	11
Interest rate swaps	7,946	37,453
Foreign currency, forward and swap contracts	324	2,126
	8,401	**90,297**
Contract/Notional amount		
Equity related contracts - Options	1,500	52,723
Commodities related contracts - Futures	-	56
Interest rate swaps	582,678	849,046
Foreign currency, forward and swap contracts	84,435	560,865

10. LOANS, ADVANCES AND FINANCING

	Group	
	2011	**2010**
	RM'000	**RM'000**
Term loans	1,013,296	673,717
Shares margin financing	566,557	628,984
Revolving credits	89,786	70,300
Staff loans	1,543	1,766
Gross loans, advances and financing	1,671,182	1,374,767
Allowance for impairment losses:		
- Collective assessment	(20,573)	(17,130)
- Individual assessment	(10,102)	(10,190)
Net loans, advances and financing	**1,640,507**	**1,347,447**

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

(a) Analysis of gross loans, advances and financing

	Group 2011 RM'000	Group 2010 RM'000
(i) By type of customers		
Domestic small and medium enterprises	883,819	673,992
Foreign entities	159,665	99,716
Individuals	627,698	601,059
	1,671,182	**1,374,767**
(ii) By interest/profit rate sensitivity		
Fixed rate	1,460,378	1,247,277
Variable rate		
- Cost plus	38,585	60,262
- Other variable rates	172,219	67,228
	1,671,182	**1,374,767**
(iii) By economic purpose		
Working capital	333,621	275,881
Purchase of securities	853,893	852,959
Others	483,668	245,927
	1,671,182	**1,374,767**
(iv) By geographical distribution		
Malaysia	1,238,365	1,059,542
Singapore	150,191	121,180
Hong Kong	38,585	60,262
Indonesia	38,183	47,923
Cambodia	183,096	85,860
Thailand	22,762	-
	1,671,182	**1,374,767**
(v) By maturity structure		
Up to 3 months	620,101	696,588
3-12 months	661,001	345,172
1-5 years	277,685	286,158
Over 5 years	112,395	46,849
	1,671,182	**1,374,767**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

(a) Analysis of gross loans, advances and financing (Cont'd)

	Group	
	2011	**2010**
	RM'000	**RM'000**
(vi) By sectors		
Manufacturing	104,301	132,175
Construction	63,474	1,273
Wholesale & retail trade and restaurants and hotels	191,406	193,616
Transport, storage and communication	66,673	14,192
Finance, insurance and business activities	631,594	400,136
Household	570,900	626,006
Mining and quarrying	9,943	7,369
Real estate	2,972	-
Agriculture, hunting, forestry and fishing	666	-
Electricity, gas and water supply	29,253	-
	1,671,182	**1,374,767**

(b) Analysis of impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group	
	2011	**2010**
	RM'000	**RM'000**
At beginning of year	26,121	22,993
Effects of FRS 139 *	-	2,080
As restated	26,121	25,073
Amount arising from acquisition of a subsidiary company	2,024	-
Classified as impaired *	4,434	10,826
Reclassified as non-impaired *	(14,061)	(2,335)
Amount recovered	(1,380)	(7,216)
Amount written off	(2,012)	-
Exchange differences *	11	(227)
At end of year	15,137	26,121
Allowance for impairment losses		
- individual assessment	(10,102)	(10,190)
Net impaired loans, advances and financing	**5,035**	**15,931**
Ratio of net impaired loans, advances and financing to net loans, advances and financing	**0.31%**	**1.18%**

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

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

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

(i) Movement in impaired loans, advances and financing (Cont'd)

Analysis of impaired loans, advances and financing:

	Group	
	2011 RM'000	2010 RM'000
• by geographical distribution		
Malaysia	14,588	25,749
Hong Kong	-	41
Indonesia	-	38
Cambodia	549	293
	15,137	**26,121**
• by economic purpose		
Working capital	224	293
Purchase of securities	14,364	21,620
Others	549	4,208
	15,137	**26,121**

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

	Group	
	2011 RM'000	2010 RM'000
Collective assessment		
At beginning of year	(17,130)	-
Adoption of FRS 139	-	(10,628)
As restated	(17,130)	(10,628)
Made (Note 35)	(3,382)	(6,573)
Exchange difference	(61)	71
At end of year	**(20,573)**	**(17,130)**
As % of gross loans, advances and financing less Allowance for impairment losses - individual assessment	**1.24%**	**1.26%**

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

	2011	2010
Working capital	(4,106)	(3,163)
Purchase of securities	(10,512)	(10,394)
Others	(5,955)	(3,573)
	(20,573)	**(17,130)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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	
	2011	**2010**
	RM'000	**RM'000**
Individual assessment		
At beginning of year	(10,190)	-
Adoption of FRS 139 *	-	(10,732)
As restated	(10,190)	(10,732)
Amount arising from acquisition of a subsidiary company	(2,024)	-
Made *	(4,519)	(4,362)
Written back *	6,564	3,162
Written off	38	1,691
Recovered	38	-
Exchange difference *	(9)	51
At end of year	**(10,102)**	**(10,190)**

* Included amounts referred to in Note 35 and amount previously referred as 'interest-in-suspense'.

General allowance		
At beginning of year	-	(10,628)
Adoption of FRS 139	-	10,628
At end of year/As restated	**-**	**-**
As % of gross loans, advances and financing less specific allowance	**0.00%**	**0.00%**
Specific allowance		
At beginning of year	-	(8,652)
Adoption of FRS 139	-	8,652
At end of year/As restated	**-**	**-**

OSKIB has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Paragraph 23 of the Rules of Bursa Securities.

The trade credit term for the shares 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 assessment 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 assessment on a monthly basis, of which mostly are share margin financing and some corporate loans.

As disclosed in Note 2(e)(ii), OSKIB has adopted the transitional provision in BNM/GP3 of providing a minimum of 1.5% as collective impairment assessment.

11. TRADE RECEIVABLES

	Group	
	2011	**2010**
	RM'000	**RM'000**
Amount owing by clients	843,420	985,627
Allowance for impairment losses		
- Individual assessment	(14,096)	(13,534)
	829,324	972,093
Amount owing by:		
- brokers	304,365	371,627
- domestic derivative clearing house	50,710	43,861
- foreign derivatives clearing houses	5,755	8,552
- foreign securities clearing houses and stock exchanges	307,705	624,860
Unit trust receivables	19,107	16,973
Others	6,663	4,536
	1,523,629	**2,042,502**

Securities trading of an investment banking subsidiary company is 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, Indonesia and Thailand subsidiary companies and in 2 market days for the Hong Kong subsidiary company.

Fixed income instruments trading related receivables of an investment banking subsidiary company 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 related receivables are normally settled within 10 (2010: 10) market days.

The treatment of interest-in-suspense (classified as individual impairment assessment 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 2.11% (2010: 1.88%) 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.

11. TRADE RECEIVABLES (CONT'D)

Ageing analysis of trade receivables

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

	Group	
	2011 RM'000	2010 RM'000
Neither past due nor impaired	1,435,993	1,948,100
1 to 30 days past due but not impaired	72,288	88,209
31 to 60 days past due but not impaired	396	1,650
61 to 90 days past due but not impaired	448	24
91 to 120 days past due but not impaired	163	222
More than 121 days past due but not impaired	3,217	1,656
	76,512	91,761
Impaired	11,124	2,641
	1,523,629	**2,042,502**

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM76,511,521 (2010: RM91,761,118) that are past due at the reporting date but not impaired due to the availability of collateral or receipts after the reporting date.

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:

		Group	
	Note	2011 RM'000	2010 RM'000
Trade gross receivable		25,220	16,175
Less: Allowance for impairment losses - individual assessment	(i)	(14,096)	(13,534)
		11,124	**2,641**

11. TRADE RECEIVABLES (CONT'D)

	Group	
	2011	**2010**
	RM'000	**RM'000**
(i) Movement in the allowance for impaired trade and other receivables:		
Individual assessment		
At beginning of year	13,534	-
Adoption of FRS 139 *	-	17,510
As restated	13,534	17,510
Amount arising from acquisition of a subsidiary company	243	-
Made * #	7,292	6,107
Written back * #	(4,418)	(6,099)
Written off	(2,636)	(3,868)
Exchange difference	81	(116)
At end of year	**14,096**	**13,534**

* For the purpose of financial reporting, current year and brought forward interest-in-suspense of the Group has been included in individual impairment assessment.

Included amounts referred to in Note 36 and amount previously referred to as 'interest-in-suspense'.

	Group	
	2011	**2010**
	RM'000	**RM'000**
Movement of specific allowance		
At beginning of year	-	13,500
Adoption of FRS 139	-	(13,500)
At end of year/As restated	**-**	**-**

OSKIB has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Paragraph 23 of the Rules of Bursa Securities.

The credit risk of financial assets of the Group is mitigated by the collaterals held against the financial assets. All impaired loan, advances and financing, trade or other receivables are subject to individual impairment assessment as at the current and previous financial year end. The collateral mitigates credit risk and would reduce the extent of impairment allowance for the assets subject to impairment assessment .

For trade receivables, individual impairment assessment of the Group as at the date of the statement of financial position would have been higher by approximately RM1,631,917 (2010: RM1,260,730), without the collateral held.

The Group would take possession of these collateral which are held as security against trade or other receivables when defaults occur. Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Company do not occupy repossessed properties for their business use. For the financial years ended 31 December 2011 and 2010, there are no repossessed collaterals.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

12. OTHER ASSETS

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest/income receivable		44,401	38,366	-	1
Security deposits and statutory funds	(a)	11,343	8,870	-	-
Other receivables, deposits and prepayments	(b)	65,386	48,729	79	3,557
Amounts due from subsidiary companies	(c)	-	-	1,866	15,042
Transferable golf club memberships		332	271	-	-
		121,462	**96,236**	**1,945**	**18,600**

(a) Security deposits and statutory funds

		Group	
	Note	2011 RM'000	2010 RM'000
Security deposit and clearing fund with			
- Bursa Malaysia Derivatives Clearing Bhd ("the Derivatives Clearing")	(i)	1,500	1,500
- Bursa Malaysia Securities Clearing Sdn. Bhd. ("the Securities Clearing")	(i)	10	10
Reserve fund deposit with the Hong Kong Futures Exchange Clearing Corporation Limited	(ii)	613	1,452
Reserve fund deposit with the SEHK Options Clearing House Limited	(ii)	728	1,222
Stamp duty deposit with The Stock Exchange of Hong Kong Limited	(ii)	237	237
Fidelity fund and compensation fund with The Stock Exchange of Hong Kong Limited	(ii)	98	98
Admission Fees paid to The Hong Kong Securities Clearing Company Limited	(ii)	49	49
Contributions in cash to a guarantee fund with The Hong Kong Securities Clearing Company Limited	(ii)	74	76
Securities dealers' deposits with Securities and Futures Commission of Hong Kong	(ii)	-	49
Capital reserve with Securities Exchange Commission of Cambodia	(iii)	3,146	3,043
Guarantee clearing fund with PT Kliring Penjaminan Efek Indonesia	(iv)	1,515	1,419
Fidelity fund and compensation fund with Thailand Securities Depository Co. Limited	(v)	2,167	-
Reserve fund deposit with the Thailand Clearing House Company Limited	(v)	1,062	-
Trust deposits	(vi)	200	100
Exchange difference		(56)	(385)
		11,343	**8,870**

12. OTHER ASSETS (CONT'D)

(a) Security deposits and statutory funds (Cont'd)

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

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

(iii) This represents the capital reserve for OSK Indochina Securities Limited, a wholly-owned subsdiary company of OSKIB, 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.

(iv) This represents guarantee clearing fund paid by PT OSK Nusadana Securities Indonesia, a subsidiary company of OSKIB to PT Kliring Penjaminan Efek Indonesia.

(v) These represent security deposits and fund contributions paid by OSK Securities (Thailand) Public Company Limited, a subsidiary company of OSKIB, to the Thailand securities and derivative clearing house.

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

(b) Other receivables, deposits and prepayments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables	22,228	21,029	8	3,485
Less: Allowance for impairment losses - individual assessment	(646)	(607)	-	-
	21,582	20,422	8	3,485
Other deposits	25,163	11,885	4	4
Prepayments	18,641	16,422	67	68
	65,386	**48,729**	**79**	**3,557**

(c) Amounts due from subsidiary companies

	Company	
	2011 RM'000	2010 RM'000
Interest bearing	-	13,514
Non-interest bearing	1,865	-
Balance of uninvested funds placed with an asset management subsidiary company	1	1,528
	1,866	**15,042**

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment other than an amount of RM1,517,543 with a credit term of 3 days in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

13. STATUTORY AND RESERVE DEPOSITS WITH CENTRAL BANKS

	Note	Group 2011 RM'000	Group 2010 RM'000
Statutory deposit with Bank Negara Malaysia	(a)	179,610	45,210
Statutory deposit with the National Bank of Cambodia	(b)	12,708	12,334
Reserve deposit with the National Bank of Cambodia	(c)	21,016	12,134
		213,334	**69,678**

(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 4% (2010: 1%) 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 0.10% to 0.11% (2010: 0.09% to 0.19%) per annum and is not available for use in OSKIBL's day-to-day operations but it is refundable when OSKIBL voluntarily ceases to operate its banking business in Cambodia.

(c) OSKIBL is required to maintain certain cash reserves as reserve requirement with the National Bank of Cambodia in the form of compulsory deposits, computed at 8% and 12% (2010: 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% (2010: 12%), 8% (2010: 8%) will bear interest at 0% (2010: 0%), while the remaining 4% (2010: 4%) will bear interest at 0.5% (2010: 0.5%) of one-month Singapore Interbank Offered Rate (SIBOR).

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Total loans and receivables comprised:					
Cash and short term funds	5	2,399,121	1,552,881	2,546	4,306
Deposits and placements with a bank	6	50,000	-	-	-
Loan, advances and financing	10	1,640,507	1,347,447	-	-
Trade receivables	11	1,523,629	2,042,502	-	-
Other assets	12	121,462	96,236	1,945	18,600
Statutory and reserve deposits with Central Banks	13	213,334	69,678	-	-
Total loans and receivables		**5,948,053**	**5,108,744**	**4,491**	**22,906**

14. DEFERRED TAXATION

(a) Deferred tax assets

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At beginning of year		481	3,402	-	-
Recognised in:					
- income statements	38	6,029	139	-	-
- AFS reserve		5,448	(3,024)	-	-
Foreign exchange differences		(1)	(36)	-	-
At end of year		**11,957**	**481**	**-**	**-**
The deferred tax assets mainly relate to temporary differences arising from:					
Excess of capital allowance over depreciation		(6,801)	(8)	-	-
Provisions		11,925	8	-	-
Fair values on securities:					
- HFT		99	176	-	-
- AFS		5,448	-	-	-
Other temporary differences		1,286	305	-	-
		11,957	**481**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

14. DEFERRED TAXATION (CONT'D)

(b) Deferred tax liabilities

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
At beginning of year		1,812	1,023	686	766
Effect of adoption FRS 139		-	(508)	-	(21)
As restated		1,812	515	686	745
Amount arising from acquisition of a subsidiary company		31	-	-	-
Reversed due to members' voluntary winding up of a subsidiary company		(1)	-	-	-
Recognised in:					
- income statements	38	(1,256)	2,427	(682)	(59)
- AFS reserves		3,513	(1,117)	-	-
Foreign exchange differences		7	(13)	-	-
At end of year		**4,106**	**1,812**	**4**	**686**
The deferred tax liabilities mainly relate to temporary differences arising from:					
Excess of capital allowances over depreciation		333	5,449	-	-
Provisions		-	(3,111)	-	-
Fair values on securities:					
- HFT		369	7	4	686
- AFS		3,403	(535)	-	-
Other temporary differences		1	2	-	-
		4,106	**1,812**	**4**	**686**

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2011	2010
	RM'000	RM'000
At cost		
Unquoted shares in Malaysia	988,277	986,196
Accumulated impairment loss	(629)	(629)
	987,648	985,567
Loans to subsidiary companies	8,510	8,503
Granting of financial guarantee to banks for facilities in subsidiary companies	25,508	15,950
	1,021,666	**1,010,020**

15. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Loans to subsidiary companies 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.

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 had previously 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(d), which has been discharged in the current financial year.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

	Group	
	2011	**2010**
	RM'000	**RM'000**
At cost		
Associated companies		
Unquoted shares in Malaysia	14,601	12,601
Accumulated impairment losses	(2,650)	(2,650)
	11,951	9,951
Jointly controlled entity		
Unquoted shares outside Malaysia	10	-
	11,961	9,951
Share of reserves	11,433	11,195
	23,394	**21,146**

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(k).

The details of the jointly controlled entity held by the Group is disclosed in Note 48(l).

The summarised financial information of the associated companies and the jointly controlled entity are as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Aggregated assets and liabilities as at reporting date (100%)		
Total assets	**73,195**	**68,342**
Total liabilities	**6,252**	**7,039**
Aggregated results (100%)		
Revenue	30,177	29,778
Profit after tax for the year	**9,676**	**10,487**

16. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Goodwill on acquisition:		
Costs	2,650	2,650
Less: Impairment loss	(2,650)	(2,650)
	-	-

17. INVESTMENT PROPERTY

	Group	
	2011	**2010**
	RM'000	**RM'000**
At fair value		
Freehold land at cost	42,786	42,786
Fair value changes prior to 1 January	91,214	69,814
Fair value at beginning of year	134,000	112,600
Fair value recognised in income statements (Note 33(g))	15,000	21,400
At end of year	**149,000**	**134,000**

The investment property generated rental income of RM922,020 (2010: RM922,020) and incurred direct expenses of RM37,357 (2010: RM37,357) for the year.

The fair value of the freehold land as at 31 December 2011 and 31 December 2010 of RM149 million and RM134 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.

18. PROPERTY AND EQUIPMENT

Group
2011

	As at 1.1.2011	Acquisitions of subsidiary companies	Additions	Disposals	Write off	Reclassification upon completion	Reclassification adjustment	Foreign exchange difference	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost									
Freehold land	1,565	-	-	-	-	-	-	-	1,565
Freehold land and buildings	111,642	-	1,887	-	-	181	-	-	113,710
Long term leasehold land and buildings	19,663	-	-	-	-	-	-	-	19,663
Short term leasehold land and buildings	2,325	-	-	-	-	-	-	-	2,325
Building in progress	517	-	1,414	-	-	(181)	-	-	1,750
Machinery	1,029	-	30	-	-	-	-	-	1,059
Motor vehicles	8,840	607	2,857	(1,015)	-	-	(64)	73	11,298
Office equipment	96,091	4,119	11,608	(9,624)	(152)	-	(1,088)	730	101,684
Furniture and fittings	19,930	2,195	6,212	(1,311)	(105)	-	-	79	27,000
Renovations	52,825	75	9,202	(9,777)	(75)	-	-	611	52,861
	314,427	6,996	33,210	(21,727)	(332)	-	(1,152)	1,493	332,915

	As at 1.1.2011	Acquisitions of subsidiary companies	Charge for the year	Reversal for disposals	Write off	Reclassification adjustment	Foreign exchange difference	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation			(Note 34)					
Freehold land and buildings	9,068	-	1,444	-	-	-	-	10,512
Long term leasehold land and buildings	1,987	-	214	-	-	-	-	2,201
Short term leasehold land and buildings	638	-	58	-	-	-	-	696
Machinery	127	-	203	-	-	-	-	330
Motor vehicles	4,502	301	1,540	(691)	-	(126)	22	5,548
Office equipment	69,988	3,936	8,680	(9,471)	(151)	(413)	460	73,029
Furniture and fittings	13,777	2,087	1,645	(1,220)	(89)	-	34	16,234
Renovations	29,899	70	4,134	(9,698)	(72)	-	278	24,611
	129,986	6,394	17,918	(21,080)	(312)	(539)	794	133,161

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18. PROPERTY AND EQUIPMENT (CONT'D)

Group
2010

	As at 1.1.2010	Additions	Disposals	Write off	Reclassification upon completion	Foreign exchange difference	As at 31.12.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost							
Freehold land	1,565	-	-	-	-	-	1,565
Freehold land and buildings	107,409	1,745	-	-	2,488	-	111,642
Long term leasehold land and buildings	21,805	-	(2,142)	-	-	-	19,663
Short term leasehold land and buildings	2,741	-	-	(416)	-	-	2,325
Building in progress	2,557	451	-	(3)	(2,488)	-	517
Machinery	84	945	-	-	-	-	1,029
Motor vehicles	9,006	2,950	(2,963)	-	-	(153)	8,840
Office equipment	87,978	10,319	(675)	(169)	-	(1,362)	96,091
Furniture and fittings	18,813	1,439	(10)	(161)	-	(151)	19,930
Renovations	41,463	12,464	(10)	(364)	-	(728)	52,825
	293,421	30,313	(5,800)	(1,113)	-	(2,394)	314,427

	As at 1.1.2010	Charge for the year	Reversal for disposals	Write off	Foreign exchange difference	As at 31.12.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation		(Note 34)				
Freehold land and buildings	8,025	1,043	-	-	-	9,068
Long term leasehold land and buildings	1,491	496	-	-	-	1,987
Short term leasehold land and buildings	805	137	(182)	(122)	-	638
Machinery	31	96	-	-	-	127
Motor vehicles	5,869	1,487	(2,787)	-	(67)	4,502
Office equipment	64,268	7,281	(738)	(160)	(663)	69,988
Furniture and fittings	12,739	1,202	(9)	(86)	(69)	13,777
Renovations	26,931	3,585	(9)	(242)	(366)	29,899
	120,159	15,327	(3,725)	(610)	(1,165)	129,986

18. PROPERTY AND EQUIPMENT (CONT'D)

Group
Net carrying value

	2011 RM'000	2010 RM'000
Freehold land	1,565	1,565
Freehold land and buildings	103,198	102,574
Long term leasehold land and buildings	17,462	17,676
Short term leasehold land and buildings	1,629	1,687
Building in progress	1,750	517
Machinery	729	902
Motor vehicles	5,750	4,338
Office equipment	28,655	26,103
Furniture and fittings	10,766	6,153
Renovations	28,250	22,926
	199,754	**184,441**

Company

	As at 1.1.2011 RM'000	Additions/ Depreciation charge for the year RM'000 (Note 34)	As at 31.12.2011 RM'000
At cost			
Office equipment	4	-	4
Accumulated depreciation			
Office equipment	2	1	3

	As at 1.1.2010 RM'000	Additions/ Depreciation charge for the year RM'000	As at 31.12.2010 RM'000
At cost			
Office equipment	4	-	4
Accumulated depreciation			
Office equipment	2	-	2

	2011 RM'000	2010 RM'000
Net carrying value		
Office equipment	**1**	**2**

NOTES TO THE FINANCIAL STATEMENTS
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19. INTANGIBLE ASSETS

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Goodwill on consolidation	(a)	98,107	96,597	-	-
Purchased goodwill	(b)	46,516	46,516	-	-
Trading rights and memberships	(c)	1,093	980	-	-
Merchant bank licence	(d)	52,500	52,500	-	-
Cambodian commercial banking and stockbroking licences	(e)	12,790	12,562	-	-
Software licences	(f)	20,962	14,695	-	-
Trademarks		69	38	69	38
		232,037	**223,888**	**69**	**38**

(a) Goodwill on consolidation

	Group	
	2011 RM'000	2010 RM'000
At cost		
At beginning of year	130,413	131,147
Accumulated amortisation as at 1 January 2006		
- set off in accordance with FRS 3	(33,698)	(33,698)
	96,715	97,449
Acquisition of a subsidiary company (Note 49(c))	1,835	-
Liquidation of a subsidiary company	(450)	-
Foreign exchange difference	129	(734)
At end of year	98,229	96,715
Accumulated impairment		
At beginning of year	(118)	(132)
Foreign exchange difference	(4)	14
At end of year	(122)	(118)
Net carrying value	**98,107**	**96,597**

(b) Purchased goodwill

	Group	
	2011 RM'000	2010 RM'000
At cost	59,892	59,892
Accumulated amortisation as at 1 January 2006		
- set off in accordance with FRS 3	(13,376)	(13,376)
Net carrying value	**46,516**	**46,516**

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 acquired on 19 June 2000.

19. INTANGIBLE ASSETS (CONT'D)

(c) Trading rights and memberships

	Group 2011 RM'000	Group 2010 RM'000
At cost		
At beginning of year	1,266	1,411
Amount arising from acquisition of a subsidiary company	1,659	-
Disposal	(822)	-
Foreign exchange difference	33	(145)
At end of year	2,136	1,266
Accumulated amortisation		
At beginning of year	-	-
Amount arising from acquisition of a subsidiary company	(917)	-
Reversal of amortisation for the year (Note 34)	165	-
Foreign exchange difference	4	-
At end of year	(748)	-
Accumulated impairment		
At beginning of year	(286)	(98)
Provision for impairment loss for the year	-	(208)
Foreign exchange difference	(9)	20
At end of year	(295)	(286)
Net carrying value	**1,093**	**980**

(d) Merchant bank licence

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. There are no indications that require an impairment assessment of the merchant bank licence. The impairment assessment has been performed together with the goodwill impairment assessment disclosed in this note.

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19. INTANGIBLE ASSETS (CONT'D)

(e) Cambodian commercial banking and stockbroking licences

	Group	
	2011 RM'000	2010 RM'000
At cost		
At beginning of year	12,562	6,333
Incurred during the year	-	6,229
Foreign exchange difference	228	-
At end of year	**12,790**	**12,562**
Analysed by:		
Commercial banking licence	9,601	9,467
Stockbroking licence	3,189	3,095
	12,790	**12,562**

The above 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	
	2011 RM'000	2010 RM'000
At cost		
At beginning of year	17,137	6,784
Amount arising from acquisition of a subsidiary company	1,637	-
Transfer from office equipment	460	-
Additions	9,217	10,565
Foreign exchange difference	81	(212)
At end of year	28,532	17,137
Accumulated amortisation and impairment		
At beginning of year	(2,442)	(926)
Amount arising from acquisition of a subsidiary company	(1,533)	-
Amortisation (Note 34)	(3,402)	(1,563)
Transfer from office equipment	(159)	-
Foreign exchange difference	(34)	47
At end of year	(7,570)	(2,442)
Net carrying value	**20,962**	**14,695**

19. INTANGIBLE ASSETS (CONT'D)

Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and trading rights have been allocated to six (2010: six) 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 5-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 5-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 5-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 5-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 5-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 2012.

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

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

	Goodwill on consolidation [Note 19(a)]	Purchased goodwill [Note 19(b)]	Total
	RM'000	RM'000	RM'000
2011			
Malaysian stockbroking CGU	50,340	46,516	96,856
Singaporean stockbroking CGU	29,542	-	29,542
Hong Kong stockbroking CGU	483	-	483
Indonesian stockbroking CGU	15,302	-	15,302
Others CGUs *	2,440	-	2,440
	98,107	**46,516**	**144,623**
2010			
Malaysian stockbroking CGU	50,340	46,516	96,856
Singaporean stockbroking CGU	28,855	-	28,855
Hong Kong stockbroking CGU	471	-	471
Indonesian stockbroking CGU	15,875	-	15,875
Others CGUs *	1,056	-	1,056
	96,597	**46,516**	**143,113**

* Included subsidiary companies in the business of wills and trustee services and management of unit trust funds.

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.

19. 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.

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

- Budgeted gross margin rate - This is determined based on the CGU's past performance and management's expectation for the market development.

- Operational costs - Other operational costs are expected to increase in line with expected inflation.

Key assumptions used in value-in-use calculation of 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 commercial banking 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.

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20. DEPOSITS FROM CUSTOMERS

	Group	
	2011 RM'000	2010 RM'000
Non-Mudharabah Fund		
Demand deposits	43,725	8,856
Fixed deposits	2,314,405	2,146,033
Negotiable instruments of deposit	303,633	119,331
Saving deposits	18,452	12,415
Short term deposits	844,350	757,270
Others	65	299
	3,524,630	3,044,204
Mudharabah Fund		
General investment deposits	1,185,523	828,601
	4,710,153	**3,872,805**

(a) By type of customer:

	2011 RM'000	2010 RM'000
Business enterprises	810,288	1,180,287
Domestic non-bank financial institutions *	2,677,331	1,854,829
Foreign customers	106,962	10,713
Individuals	208,389	133,011
Local government and statutory bodies	906,887	693,666
Others	296	299
	4,710,153	**3,872,805**

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

(b) By maturity structure:

	2011 RM'000	2010 RM'000
Up to 3 months	3,526,485	3,284,145
3-12 months	1,129,059	566,665
1-5 years	54,609	21,995
	4,710,153	**3,872,805**

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Non-Mudharabah Fund		
Licensed banks	521,001	280,193
Licensed investment banks	80,000	170,000
Other financial institutions	41,860	219,576
	642,861	669,769
Mudharabah Fund		
Licensed bank	15,888	-
	658,749	**669,769**

22. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Private debt securities outside Malaysia classified as securities available-for-sale	**291,083**	**-**

The underlying securities for the repurchase agreements are as disclosed in Note 8(c).

23. DERIVATIVE FINANCIAL LIABILITIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
At fair value		
Equity related contracts - Futures	-	45
Commodities related contracts - Futures	-	8
Structured warrants	66,392	141,452
Structured investments	11,380	6,504
Interest rate swaps	29,846	-
Foreign currency swap contracts	1,249	1,740
	108,867	**149,749**
Contract/Notional amount		
Equity related contracts - Futures	-	5,427
Commodities related contracts - Futures	-	28
Structured warrants	41,369	80,338
Structured investments	11,278	6,410
Interest rate swaps	1,411,134	-
Foreign currency swap contracts	166,683	210,789

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24. TRADE PAYABLES

	Group	
	2011	2010
	RM'000	RM'000
Amount due to:		
- clients	1,816,075	1,735,374
- brokers	520,132	821,450
- foreign securities clearing houses and stock exchanges	46,888	93,364
Unit trust payables	4,879	7,008
	2,387,974	**2,657,196**

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, Indonesia and Thailand 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 (2010: 2) market days.

The normal trade credit term for unit trust funds is 10 (2010: 10) days.

25. OTHER LIABILITIES

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Interest/income payable		45,655	39,943	-	-
Other payables, deposits and accruals	(a)	155,724	165,420	408	330
Amounts due to:					
- subsidiary companies	(b)	-	-	94,365	59,281
- an associated company	(c)	2,305	3,064	-	-
Fair value of financial guarantees given to banks for unexpired facilities in subsidiary companies		-	-	6,518	5,812
Profit equalisation reserve of Islamic banking operations	52(l)	2,285	996	-	-
		205,969	**209,423**	**101,291**	**65,423**

25. OTHER LIABILITIES (CONT'D)

(a) Other payables, deposits and accruals

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Other payables	17,778	18,360	2	1
Deposits:				
- trading deposits from dealers/ futures broker representatives	43,562	42,693	-	-
- rental and utilities deposits from tenants	1,781	1,571	-	-
- other deposits	15	16	-	-
	45,358	44,280	-	-
Other accruals and provisions	92,588	102,780	406	329
	155,724	**165,420**	**408**	**330**

(b) Amounts due to subsidiary companies

	Company 2011 RM'000	Company 2010 RM'000
Interest bearing	89,943	52,249
Non-interest bearing	4,422	7,032
	94,365	**59,281**

The amounts due to subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing portion was charged interest at 4.00% to 4.44% (2010: 3.29% to 4.00%) 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 (2010: 90 days).

26. BORROWINGS

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Unsecured					
- Revolving credits	(a)	205,562	289,820	-	-
- Short-term loans	(b)	33,433	116,365	-	-
- Bank overdraft	(c)	122	-	-	-
		239,117	406,185	-	-
Secured					
- Syndicated term loan	(d)	-	4,434	-	4,434
Total borrowings		**239,117**	**410,619**	**-**	**4,434**

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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.

Repayment schedules of the revolving credits are as follows:

	Group	
	2011 RM'000	2010 RM'000
Rolled over on:		
- daily basis	155,562	239,820
- monthly basis	50,000	50,000
	205,562	**289,820**

The revolving credits of subsidiary companies are denominated in the following foreign currencies:

	Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	177,970	230,000
United States Dollar	27,592	59,820
	205,562	**289,820**

(b) Short-term loans

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

	Group	
	2011 RM'000	2010 RM'000
Singapore Dollar	2,381	23,888
Hong Kong Dollar	20,854	43,973
Indonesian Rupiah	-	48,504
United States Dollar	10,198	-
	33,433	**116,365**

The short-term bank loans are secured by corporate guarantees by the Company and are repayable within one year.

(c) Bank overdraft

The bank overdraft represents credit bank balance in a subsidiary company.

(d) Syndicated term loan

The syndicated term loan of the Company was secured by way of a fixed charge over the unquoted shares of a subsidiary company as disclosed in Note 15 and bore interest rate at 3.95% to 4.75% per annum in the previous financial year was repayable in six-monthly intervals started from 29 September 2007. The balance oustanding has been fully repaid in the current financial year.

	Group and Company	
	2011 RM'000	2010 RM'000
Syndicated term loan	**-**	**4,434**
The term loan was repayable as follows:		
Within one year	**-**	**4,434**

27. SUBORDINATED NOTES

	Group	
	2011 RM'000	2010 RM'000
First tranche: RM100 million 7.50% due on 13 July 2018, callable in 2013	100,000	100,000
Second tranche: RM125 million 7.25% due on 6 April 2020, callable in 2015	125,000	125,000
Third tranche: RM75 million 7.15% due on 25 May 2020, callable in 2015	75,000	75,000
Fourth tranche: RM100 million 5.20% due on 15 April 2021, callable in 2016	100,000	-
	400,000	**300,000**

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, 14 July 2008. 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 issued under the MTN Programme are issued at par.

On 24 March 2011, the Noteholders consented the extension of the Programme tenure from 12 years to 14 years from the first issuance date. With all relevant agreements and approvals, the expiry date of the Programme thereby extended from 14 July 2020 to 14 July 2022.

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% 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% 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 7.15% per annum. There will be a step-up coupon from 7.15% 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.

On 15 April 2011, OSKIB issued RM100 million of Subordinated Notes via private placement. The tenure of issue is 10 years maturing on 15 April 2021 and callable after a minimum period of 5 years from the issue date (i.e. on 15 April 2016) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 5.20% per annum and a coupon rate of 5.20% per annum. There will be a step-up coupon from 5.20% to 5.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

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		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial liabilities at amortised cost comprised:					
Deposits from customers	20	4,710,153	3,872,805	-	-
Deposits and placements of banks and other financial institutions	21	658,749	669,769	-	-
Obligations on securities sold under repurchase agreements	22	291,083	-	-	-
Trade payables	24	2,387,974	2,657,196	-	-
Other liabilities	25	205,969	209,423	101,291	65,423
Borrowings	26	239,117	410,619	-	4,434
Subordinated notes	27	400,000	300,000	-	-
Total financial liabilities carried at amortised cost		**8,893,045**	**8,119,812**	**101,291**	**69,857**

28. SHARE CAPITAL

	Group and Company Number of ordinary shares ('000)/Amount (RM'000)	
	2011	2010
Authorised		
Ordinary shares of RM1 each		
At beginning/end of year	1,500,000	1,500,000
Issued and fully paid		
Ordinary shares of RM1 each		
At beginning of year	962,211	678,665
Exercise of ESOS	1,934	2,550
Conversion of Warrant B 2000/2010	-	116,324
Bonus issue	-	164,672
	1,934	283,546
At end of year	**964,145**	**962,211**

During current financial year, the Company issued 1,933,849 (2010: 2,549,500) new ordinary shares of RM1 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the issuance of shares for ESOS exercised was RM1,933,849. In 2010, the Company has issued 283,546,228 new ordinary shares of RM1.00 each, of which 164,672,464 ordinary shares of RM1.00 each were bonus issue by capitalising share premium and retained profits accounts, and the balance of 118,873,764 ordinary shares of RM1.00 each were for cash at respective exercise prices pursuant to the ESOS and conversion of Warrant B 2000/2010 for a total proceeds of RM119,707,437. 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.

28. SHARE CAPITAL (CONT'D)

(a) Executive Share Option Scheme

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

The salient features of the ESOS are as follows:

(i) Eligible grantees are executives of the Group (including Executive Directors) who have been in the full time employment or under an employment contract of the Group for a period of at least twelve (12) full months of continuous service and whose employment have been confirmed in writing on or prior to the date of the offer. The eligibility for participation in the ESOS shall be based on the performance of the eligible grantees and shall be at the discretion of the ESOS Committee appointed by the Board of Directors;

(ii) The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through his/her associates, hold 20% or more in the issued and paid-up capital of the Company;

(iii) The extension of duration of the ESOS and the amendments to the existing ESOS By-Laws was approved by the shareholders of the Company at the Extraordinary General Meeting held on 17 November 2006.

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

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

2011		**Number of options over ordinary shares of RM1 each**			
Date of grant	**Exercise price ***	**As at 1.1.2011**	**Exercised**	**Forfeited**	**As at 31.12.2011 [4]**
	RM				
27.6.2003 [1]	1.00	610,225	(89,125)	-	521,100
16.3.2004 [1]	1.00	2,820,350	(1,118,550)	(46,600)	1,655,200
29.4.2005 [2]	1.00	876,650	(244,750)	-	631,900
3.5.2006 [3]	1.00	2,451,824	(481,424)	-	1,970,400
		6,759,049	**(1,933,849)**	**(46,600)**	**4,778,600**
Weighted average price (RM)		**1.00**	**1.00**	**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 in the previous financial year.

28. SHARE CAPITAL (CONT'D)

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

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**

1 These outstanding options were granted prior to 31 December 2004 and therefore not recognised in the financial statements, in accordance with the transitional requirements of FRS 2.

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

3 These outstanding options were granted and vested after 1 January 2006 and therefore recognised in accordance with the requirements of FRS 2 during 2006 as below:

	Number of options ('000)	Fair value RM'000
Granted to Directors	1,617	404
Granted to staff	9,820	2,455
	11,437	**2,859**

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

On 4 January 2007, as the results of the extension of the ESOS duration 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 '000
Extended for Directors	147
Extended for staff	1,121
	1,268

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28. SHARE CAPITAL (CONT'D)

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

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

	Company 2011	2010
Number of options granted since implementation of ESOS	44,160,500	44,160,500
Less:		
Number of options exercised since implementation of ESOS	(34,970,409)	(33,036,560)
Number of options forfeited since implementation of ESOS	(6,124,300)	(6,077,700)
Add: Bonus issue	1,712,809	1,712,809
Number of options outstanding	**4,778,600**	**6,759,049**

(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 RM	Fair values of ordinary shares RM	Number of options	Consideration received RM'000
2011				
January, September, November and December	1.00	1.31 to 2.15	89,125	89
January to December	1.00	1.31 to 2.15	1,118,550	1,119
January, April, October to December	1.00	1.57 to 2.15	244,750	245
January, March, May, October to December	1.00	1.57 to 2.15	481,424	481
			1,933,849	1,934
Less: Par value of ordinary shares				(1,934)
Share premium				-
2010				
January, April, June, August, November and December	1.00	1.40 to 2.10	555,550	556
January	1.06	1.40	501,500	532
February to April	1.00	1.28 to 2.10	534,325	534
April, June, August and December	1.00	1.28 to 2.10	62,875	63
January to April, June, August, October to December	1.00	1.28 to 2.10	895,250	895
			2,549,500	2,580
Less: Par value of ordinary shares				(2,550)
Share premium [Note 30(d)]				**30**

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28. SHARE CAPITAL (CONT'D)

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

(iii) Fair value of share options granted during 2006

The fair value of equity-settled share options granted was 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 was 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.

28. SHARE CAPITAL (CONT'D)

(b) 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 financial year 2010, 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.

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.

(c) Bonus issue by the Company in 2010

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.

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29. TREASURY SHARES

	Group and Company	
	2011 RM'000	2010 RM'000
At cost		
At beginning of year	29,785	29,782
Share buybacks	4	3
At end of year	**29,789**	**29,785**

	Group and Company	
	2011 '000	2010 '000
Number of treasury shares		
At beginning of year	24,151	24,149
Share buybacks	2	2
At end of year	24,153	24,151
Total number of outstanding shares in issue after set off (excluding treasury shares held)	939,992	938,060
Total number of issued and fully paid ordinary shares (Note 28)	**964,145**	**962,211**

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.

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 '000	Total amount paid RM'000
2011					
At beginning of year	2.82	0.90	1.23	24,151	29,785
Share buybacks during the year:					
May 2011	1.68	1.68	1.72	1	2
November 2011	1.72	1.72	1.76	1	2
	1.72	1.68	1.74	2	4
At end of year	**2.82**	**0.90**	**1.23**	**24,153**	**29,789**
2010					
At beginning of year	2.82	0.90	1.23	24,149	29,782
Share buybacks during the year:					
May 2010	1.32	1.32	1.36	1	1
November 2010	1.91	1.91	1.95	1	2
	1.91	1.32	1.66	2	3
At end of year	**2.82**	**0.90**	**1.23**	**24,151**	**29,785**

* Average cost includes transaction costs.

30. RESERVES

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Statutory reserves	(a)	239,537	228,992	-	-
Equity compensation reserve	(b)	581	779	581	779
Foreign exchange reserves		(12,991)	(20,652)	-	-
AFS reserves	(c)	(10,269)	(1,439)	-	-
Share premium	(d)	-	-	-	-
Other reserve	(e)	(846)	-	-	-
		216,012	207,680	581	779
Retained profits		298,671	308,604	19,203	59,049
		514,683	**516,284**	**19,784**	**59,828**

NOTES TO THE FINANCIAL STATEMENTS
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30. RESERVES (CONT'D)

(a) Statutory reserves

The statutory reserves of the Group are provided by:

	Group 2011 RM'000	Group 2010 RM'000
(i) OSKIB #	241,206	228,992
(ii) OSK Securities (Thailand) Public Company Limited *	151	-
	241,357	**228,992**

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.

* The statutory reserve of OSK Securities (Thailand) Public Company Limited ("OSKST"), a subsidiary company, is maintained in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand. OSKST is required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered share capital and the statutory reserve could not use for dividend payment.

(b) Equity compensation reserve

The equity compensation reserve represents fair value of the share options granted and modified by the Company. This reserve will be transferred to retained profits upon the exercises or forfeiture of options. The details of the share options are disclosed in Note 28(a).

(c) AFS reserves

The AFS reserves represent unrealised gains and losses arising from revaluation of securities AFS held as at the reporting date in accordance with the requirements of FRS 139 and BNM/GP8.

(d) Share premium

	Note	Group and Company 2011 RM'000	Group and Company 2010 RM'000
At beginning of year		-	502
Exercise of ESOS	28(a)	-	30
Conversion of Warrant B 2000/2010	28(b)	-	803
Utilisation for bonus issue	28(c)	-	(1,335)
At end of year		**-**	**-**

(e) Other reserve

The other reserve represents share of other reserves of an associated group.

31. INTEREST INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans, advances and financing	122,397	95,136	-	-
Deposits and placements with financial institutions	35,621	20,861	28	111
Securities HFT	9,286	8,346	-	-
Securities HTM	11,422	16,442	-	-
Securities AFS	86,908	84,952	-	-
Stockbroking and futures broking business	8,370	8,088	-	-
Subsidiary company	-	-	-	1,171
Others	1,013	371	3	109
	275,017	234,196	31	1,391
Accretion of discount less amortisation of premium				
(i) Non-impaired				
- Securities HFT	(190)	(94)	-	-
- Securities HTM	3,790	3,380	-	-
- Securities AFS	21,940	22,438	-	-
(ii) Impaired				
- Securities HTM	232	2,852	-	-
- Securities AFS	-	(437)	-	-
	25,772	28,139	-	-
	300,789	**262,335**	**31**	**1,391**

32. INTEREST EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits from customers	147,920	108,879	-	-
Deposits and placements of financial institutions	14,569	2,732	-	-
Subordinated notes	25,643	17,361	-	-
Borrowings	11,884	10,036	51	619
Subsidiary companies	-	-	2,803	1,819
Others	24	1,534	-	-
	200,040	**140,542**	**2,854**	**2,438**

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33. NON-INTEREST INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Fees and commission				
Advisory, agency, arrangement, placement and referral fees	49,067	75,167	-	-
Commission	16,061	18,782	-	-
Fees earned from management of unit trust funds	53,199	54,990	-	-
Gross brokerage fees	409,542	425,544	-	-
Loan processing, facility and commitment fees and carrying charges	18,473	25,453	-	-
Service charges on sale of trust units	48,952	33,809	-	-
Trustee and will-writing fees	8,965	5,733	-	-
Others	3,754	2,843	-	-
	608,013	**642,321**	**-**	**-**
(b) Net (loss)/gain arising from sales of securities and derivatives				
Securities HFT	(15,733)	30,667	731	2,258
Securities HTM	-	1,879	-	-
Securities AFS	8,293	6,828	-	-
Derivative financial instruments	98,163	8,127	-	(37)
	90,723	**47,501**	**731**	**2,221**
(c) Gross dividend income				
Securities HFT	1,974	2,312	65	378
Securities AFS	1,023	49	-	-
Unquoted subsidiary companies in Malaysia	-	-	11,867	47,250
	2,997	**2,361**	**11,932**	**47,628**
(d) Unrealised gain/(loss) on revaluation of trading securities and derivatives				
Securities HFT	15,840	694	(4,590)	(766)
Derivatives financial instruments	(21,825)	(73,466)	-	-
	(5,985)	**(72,772)**	**(4,590)**	**(766)**

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33. NON-INTEREST INCOME (CONT'D)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(e) Unrealised (loss)/gain on derivatives				
Unexpired structured warrants	**(50,792)**	**47,334**	**-**	**-**
(f) Unrealised (loss)/gain from foreign exchange translations	**(26,393)**	**20,116**	**-**	**-**
(g) Other income				
Net gain on disposal of property and equipment	165	518	-	-
Gain on disposal of intangible assets	2,197	-	-	-
Realised gain/(loss) on foreign exchange	57,182	16,457	(205)	(287)
Net gain on interest rate swaps	16,301	6,205	-	-
Rental income	7,354	8,700	-	-
Sales of oil palm produce	202	172	-	-
Loss on members' voluntary winding up of subsidiary companies	(455)	-	(78)	-
Negative goodwill on acquisition of a subsidiary company (Note 49(e))	87	-	-	-
Financial guarantee income capitalised as investment in subsidiary companies	-	-	8,852	10,139
Gain on revaluation of an investment property (Note 17)	15,000	21,400	-	-
Others	8,733	4,565	-	14
	106,766	**58,017**	**8,569**	**9,866**
Total non-interest income	**725,329**	**744,878**	**16,642**	**58,949**

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34. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) Personnel expenses				
Salaries, allowances, bonuses and gratuity	252,592	222,145	548	548
Pension costs-defined contribution plan	18,499	14,351	43	43
Others	15,389	12,896	-	-
	286,480	**249,392**	**591**	**591**
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	6,021	13,274	13	17
Commission	182,294	186,855	-	19
Fees and charges	61,489	58,705	3	4
Others	6,438	6,272	-	-
	256,242	**265,106**	**16**	**40**
(c) Establishment related expenses				
Depreciation and amortisation	21,155	16,890	1	1
Insurance	2,384	2,418	5	10
Rental of equipment	4,999	4,802	-	-
Rental of premises	20,835	18,932	-	-
Repair and maintenance	9,318	8,284	-	-
Utility expenses	6,781	5,925	-	-
Others	6,534	6,397	-	-
	72,006	**63,648**	**6**	**11**
(d) General administrative expenses				
Communication expenses	14,690	12,913	36	98
Legal and professional fees	9,288	5,914	117	458
Printing and stationery	6,556	6,777	208	152
Administrative expenses	24,204	20,457	253	424
Others	406	2,075	-	-
	55,144	**48,136**	**614**	**1,132**
Total other operating expenses	**669,872**	**626,282**	**1,227**	**1,774**

34. OTHER OPERATING EXPENSES (CONT'D)

		Group		Company	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Included in the income statements are the followings:					
Auditors' remuneration					
(i) Statutory audit					
- current year					
- Parent auditors		345	309	47	47
- an affiliate of Parent auditors		131	91	-	-
- other firms		746	627	-	-
- (over)/under provision in prior year					
- Parent auditors		-	(16)	-	1
(ii) Other services - current year					
- Parent auditors		21	35	3	3
		1,243	1,046	50	51
Amortisation of software licences	19(f)	3,402	1,563	-	-
Depreciation	18	17,918	15,327	1	-
Directors' remuneration	41(a)				
(i) Fees - current year		737	653	188	188
(ii) Other emoluments		25,610	5,857	353	403
		26,347	6,510	541	591
Rental income	33(g)	(7,354)	(8,700)	-	-
Rental of equipment		4,999	4,802	-	-
Rental of premises		20,835	18,932	-	-
Reversal of amortisation for trading rights	19(c)	(165)	-	-	-
Net loss/(gain) on disposal of property and equipment		23	(518)	-	-
Staff costs:					
- Employees Provident Fund		17,209	13,731	-	-
- social security costs		1,045	888	-	-
- salaries, allowances, bonuses and gratuity		227,631	216,327	-	-
- other staff related expenses		14,248	11,936	-	-
		260,133	242,882	-	-
Property and equipment written off	18	20	503	-	-

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35. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	Group 2011 RM'000	Group 2010 RM'000
Individual assessment		
- Made	(1,414)	(2,823)
- Written back	3,071	3,161
Collective assessment (net)		
- Made (Note 10 (b)(ii))	(3,382)	(6,573)
	(1,725)	(6,235)
Bad debts		
- Recovered	1,724	381
- Written off	(2,047)	(837)
	(2,048)	**(6,691)**

36. ALLOWANCE FOR IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES

	Group 2011 RM'000	Group 2010 RM'000
Individual assessment		
- Made	(6,566)	(6,045)
- Written back	4,080	4,653
Collective assessment (net)		
- Written back	3	-
	(2,483)	(1,392)
Bad debts		
- Recovered	2	65
- Written off	(200)	-
	(2,681)	**(1,327)**

37. ALLOWANCE FOR IMPAIRMENT LOSSES ON INVESTMENTS AND INTANGIBLES

	Group 2011 RM'000	Group 2010 RM'000
Securities HTM	(46,615)	(7,600)
Securities AFS	(23,468)	(38,700)
Trading rights	-	(208)
	(70,083)	**(46,508)**

NOTES TO THE FINANCIAL STATEMENTS
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38. INCOME TAX (EXPENSE)/BENEFIT AND ZAKAT

		Group		Company	
		2011	**2010**	**2011**	**2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
In respect of the current year					
Malaysian income tax		(12,333)	(29,464)	(490)	(11,689)
Foreign income tax		(7,962)	(14,778)	-	(4)
		(20,295)	(44,242)	(490)	(11,693)
(Under)/over provision in respect of prior years					
Malaysian income tax		(8,444)	2,867	-	(12)
Foreign income tax		60	(15)	-	-
		(8,384)	2,852	-	(12)
Deferred taxation:					
Deferred tax assets	14(a)	6,029	139	-	-
Deferred tax liabilities	14(b)	1,256	(2,427)	682	59
		7,285	(2,288)	682	59
Income tax (expense)/benefit		(21,394)	(43,678)	192	(11,646)
Zakat		(5)	(38)	-	-
		(21,399)	**(43,716)**	**192**	**(11,646)**
Movement in deferred taxation is analysed as follow:					
Origination and reversal of temporary differences		(2,204)	(2,258)	682	59
Over/(under) provision in prior year		9,489	(30)	-	-
		7,285	(2,288)	682	59

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

Income tax expense is calculated based on the respective jurisdictions' statutory income tax rates on the estimated taxable profits for the year as follows:

Country	2011	2010
Malaysia	25.00%	25.00%
Cambodia	Note (a)	Note (a)
Hong Kong	16.50%	16.50%
Indonesia	25.00%	25.00%
Singapore	17.00%	17.00%
Thailand	25.00%	-

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% (2010: 25%) on the profit before tax and the tax expense is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax ("PBT")	93,180	194,971	12,592	56,128
Tax at Malaysian statutory tax rate on PBT	23,295	48,743	3,148	14,032
Effects of:				
- different tax rates in foreign jurisdictions/other authorities	46	(2,924)	-	-
- non-taxable income	(11,148)	(10,329)	(3,340)	(2,559)
- non-deductible expenses	8,004	9,963	-	161
Deferred tax asset not recognised	2,467	1,820	-	-
Utilisation of tax losses and capital allowances not recognised in prior year	(160)	(735)	-	-
Under/(over) provision of tax in prior years	8,384	(2,852)	-	12
(Over)/under provision of deferred tax in prior years	(9,489)	30	-	-
Income tax expense/(benefit)	**21,399**	**43,716**	**(192)**	**11,646**

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 credit balance under Section 108 of the Income Tax Act 1967 ("S108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the S108 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 S108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the S108 balance as at 31 December 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2011, the Company has sufficient credit in the S108 balance and the exempt income account to pay franked dividends from its entire retained profits account.

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

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Unused tax losses	79,265	53,374
Unabsorbed capital allowances	622	477
	79,887	**53,851**

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.

Unused tax losses carried forward of US$3,885,390 (RM12,343,884 equivalent) (2010: US$2,114,963 (RM6,521,488 equivalent) arising from foreign subsidiary companies in Cambodia are available for offset against taxable profits arising within five (5) years subsequent to the year in which the loss was incurred.

39. EARNINGS PER SHARE

	Group	
	2011	**2010**
(a) Basic earnings per share		
Profit attributable to owners of the Company (RM'000)	51,415	117,613
Weighted average number of ordinary shares in issue ('000)	939,130	920,374
Basis earnings per share (sen)	**5.47**	**12.78**
(b) Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)	**51,415**	**117,613**
Weighted average number of ordinary shares in issue ('000)	939,130	920,374
Effect of dilution on assumed exercise of options granted under ESOS ('000)	2,015	2,713
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	941,145	923,087
Diluted earnings per share (sen)	**5.46**	**12.74**

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.

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40. DIVIDENDS

			Group and Company	
		Amount		Net dividend per share
	2011	2010	2011	2010
	RM'000	RM'000	Sen	Sen
For the year ended 31 December 2011				
Interim dividend of 2.5 sen per share less 25% income tax, paid on 14 September 2011	17,614	-	1.875	-
For the year ended 31 December 2010				
Final dividend of 5.0 sen per share less 25% income tax, paid on 19 May 2011	35,214	-	3.750	-
Interim dividend of 2.5 sen per share less 25% income tax, paid on 28 September 2010	-	17,575	-	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	-	35,135	-	3.750
	52,828	**52,710**	**5.625**	**5.625**

The Board of Directors recommends final dividends of : (i) a 2.0 sen per share less 25% income tax; and (ii) a distribution of one (1) treasury share for every forty (40) ordinary shares held, for the current financial year ended 31 December 2011 (2010: 5.0 sen per share less 25% income tax). The proposed dividends are subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date to the final dividends shall be determined by the Board of Directors at the subsequent stage.

The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity in the next financial year ending 31 December 2012.

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	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Directors:				
Non-Executive				
Fees - current year	737	653	188	188
Salaries, bonuses and other remunerations	24,224	5,165	315	360
	24,961	5,818	503	548
Estimated money value of benefits-in-kind	96	72	-	-
Total short-term employee benefits	25,057	5,890	503	548
Post-employment benefits				
- Defined contribution plan	1,290	620	38	43
Total for Directors	**26,347**	**6,510**	**541**	**591**
Other key management personnel:				
Short-term employee benefits	45,848	31,231	-	-
Post-employment benefits				
- Defined contribution plan	2,727	1,318	-	-
	48,575	**32,549**	**-**	**-**
Total for key management personnel compensation	**74,922**	**39,059**	**541**	**591**

(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:

2011 / 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

NOTES TO THE FINANCIAL STATEMENTS
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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

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	
	2011	2010
Non-Executive:		
RM50,000 and below	-	1
RM100,001 up to RM150,000	2	-
RM150,001 up to RM200,000	1	2
RM500,001 up to RM550,000	1	-
RM600,001 up to RM650,000	-	1
RM1,300,001 up to RM1,350,000	-	1
RM2,600,001 up to RM2,650,000	1	-
RM4,100,001 up to RM4,150,000	-	1
RM22,600,001 up to RM22,650,000	1	-
	6	**6**

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Company are as follows:

(RM'000)	Remuneration received from the Company						Remuneration received from subsidiary companies						
2011	**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**	**Grand total**
Non-Executive Directors													
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	30	315	-	38	-	383	100	60	-	7	-	167	550
Ong Leong Huat @ Wong Joo Hwa	30	-	-	-	-	30	100	151	5,225	17,132	41	22,649	22,679
Wong Chong Kim	30	-	-	-	-	30	-	1,104	1,172	310	55	2,641	2,671
Dato' Abdul Majit bin Ahmad Khan	30	-	-	-	-	30	107	-	-	-	-	107	137
Foo San Kan	38	-	-	-	-	38	130	-	-	-	-	130	168
Dr. Ngo Get Ping	30	-	-	-	-	30	112	-	-	-	-	112	142
Total Directors' Remuneration	**188**	**315**	**-**	**38**	**-**	**541**	**549**	**1,315**	**6,397**	**17,449**	**96**	**25,806**	**26,347**

41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration (Cont'd)

(RM'000)	Remuneration received from the Company						Remuneration received from subsidiary companies						
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	Grand total
Non-Executive Directors													
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	30	360	-	43	-	433	100	60	-	7	-	167	600
Ong Leong Huat @ Wong Joo Hwa	30	-	-	-	-	30	100	3,300	275	429	38	4,142	4,172
Wong Chong Kim	30	-	-	-	-	30	-	1,080	90	141	34	1,345	1,375
Dato' Abdul Majit bin Ahmad Khan	30	-	-	-	-	30	129	-	-	-	-	129	159
Foo San Kan	38	-	-	-	-	38	133	-	-	-	-	133	171
Dr. Ngo Get Ping	30	-	-	-	-	30	3	-	-	-	-	3	33
Total Directors' Remuneration	**188**	**360**	**-**	**43**	**-**	**591**	**465**	**4,440**	**365**	**577**	**72**	**5,919**	**6,510**

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, 25(b) and (c) respectively. The transactions with subsidiary companies during the year are as follows:

Transaction value with subsidiary companies	Company 2011 RM'000	Company 2010 RM'000
Income:		
Interest income	-	(1,171)
Expense:		
Interest expenses	2,803	1,819

(d) Other related parties

Certain directors of PJ Development Holdings Berhad, Dindings Consolidated Sdn. Bhd., OSK Property Holdings Berhad and OSK Ventures International Berhad are the family members of Mr. Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim.

(i) PJ Development Holdings Berhad Group of Companies

Identities	Nature of transactions	Group 2011 RM'000	Group 2010 RM'000
PJD Management Services Sdn. Bhd	Office rental and parking fees received	(822)	(733)
Swiss Garden International Vacation Club Berhad	Office rental and parking fees received	(100)	(373)
Swiss Garden International Sdn. Bhd.	Office rental and parking fees received	(170)	(143)

(ii) Dindings Consolidated Sdn. Bhd. Group of Companies

Identities	Nature of transactions	Group 2011 RM'000	Group 2010 RM'000
Dindings Construction Sdn. Bhd.	Office rental and parking fees received	(138)	-
Dindings Consolidated Sdn. Bhd.	Office rental and parking fees received	(156)	(143)
DC Services Sdn. Bhd.	Insurance premium paid	76	99
Dinding Risks Management Services Sdn. Bhd.	Insurance premium paid	721	723
Dindings Life Agency Sdn. Bhd.	Insurance premium paid	140	147

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41. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(d) Other related parties (Cont'd)

(iii) OSK Property Holdings Berhad Group of Companies

Identities	Nature of transactions	Group 2011 RM'000	Group 2010 RM'000
OSK Property Holdings Berhad	Advisory fee	(203)	-
	Interest expense on placements	148	347
OSK Properties Sdn. Bhd.	Office rental and parking fees received	(263)	(261)

(iv) OSK Ventures International Berhad Group of Companies

Identities	Nature of transactions	Group 2011 RM'000	Group 2010 RM'000
OSK Ventures International Berhad	Interest expense on placements	957	305
OSK Ventures Equities Sdn. Bhd.	Office rental and parking fees received	(126)	(118)
Finexasia.com Sdn. Bhd.	Office rental and parking fees received	(69)	(105)
	Support services fee income	(119)	(119)
	Interest expense on placements	465	280
	Annual maintenance fee	820	820
	Online trading access fee	7,607	6,758
	Corporate website development fee and hosting fee expenses	124	66

(v) A director of Symphony House Berhad and Allianz Life Insurance Malaysia Berhad is a common Director of the Company and OSKIB.

Identities	Nature of transactions	Group 2011 RM'000	Group 2010 RM'000
Symphony Share Registrars Sdn. Bhd., a subsidiary company of Symphony House Berhad	Share registrars fee and maintenance fee for structure warrants	590	-
Allianz Life Insurance Malaysia Berhad	Insurance purchased via DC Services Sdn. Bhd.	1,409	1,291

The Directors are of the view that 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	
	2011	**2010**
	RM'000	**RM'000**
(a) Capital commitments		
Contracted but not provided for:		
- Acquisition of office equipment	3,260	8,584
- Acquisition of machinery	918	4,580
- Renovation	-	1,856
(b) Non-cancellable operating lease commitments - Group as Lessee		
Future minimum rentals payable:		
- not later than one year	18,413	13,225
- later than one year and not later than five years	40,923	44,976
- more than five years	2,983	7,178
	66,497	**80,399**

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

43. CONTINGENT LIABILITIES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unsecured:				
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries:				
- Denominated in RM	-	-	180,290	232,383
- Denominated in HKD	-	-	22,898	45,959
- Denominated in USD	-	-	40,189	59,820
Bank guarantee provided by OSKIB to Bursa Malaysia Clearing Sdn. Bhd.	922	956	-	-
Bank guarantee in favour of HKFE Clearing Corporation Limited provided by OSK Futures Hong Kong Limited	2,045	1,981	-	-
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT OSK Nusadana Securities Indonesia	17,350	17,200	-	-
Bank guarantee in favour of The Central Depository Pte Ltd provided by DMG & Partners Securities Pte Ltd	-	4,772	-	-
Bank guarantee for lease of premises provided by DMG & Partners Securities Pte Ltd	1,454	1,234	-	-
	21,771	**26,143**	**243,377**	**338,162**

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 Labuan 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.
Property Investment	-	Management and Letting of Properties.
Holding Entities	-	Investment Holding Companies.
Others	-	Not significant for separate disclosure.

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties and have been eliminated to arrive at the Group's results.

The comparative segment information for the year ended 31 December 2010 have been reclassified to conform with current year format.

44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2011	Investment Banking	Loans & Financing	Equities & Futures	Wealth Manage-ment	Property Investment	Holding Entities	Others	Total	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External parties	313,670	163,553	443,428	110,228	7,525	783	12,197	1,051,384	-	1,051,384
Inter-segment revenue	886	740	7,589	2,080	13,168	42,646	150	67,259	(67,259)	-
Total	**314,556**	**164,293**	**451,017**	**112,308**	**20,693**	**43,429**	**12,347**	**1,118,643**	**(67,259)**	**1,051,384**
Results										
Profit/(loss) from operations with external parties	145,661	109,116	23,331	4,581	13,995	(45,305)	5,499	256,878	33,540	290,418
Add : Inter segment revenue	886	740	7,589	2,080	13,168	42,646	150	67,259	(67,259)	-
Less : Inter segment expenses	(2,766)	(480)	(18,255)	(4,155)	(161)	(1,824)	(742)	(28,383)	28,383	-
Profit/(loss) before funding costs	143,781	109,376	12,665	2,506	27,002	(4,483)	4,907	295,754	(5,336)	290,418
Less: funding costs	(153,246)	(36,178)	(13,766)	-	(1,823)	(359)	(4)	(205,376)	5,336	(200,040)
Segment (losses)/profits	(9,465)	73,198	(1,101)	2,506	25,179	(4,842)	4,903	90,378	-	90,378
Share of results after tax of associated companies	-	-	-	883	-	-	1,919	2,802	-	2,802
(Loss)/profit before tax	**(9,465)**	**73,198**	**(1,101)**	**3,389**	**25,179**	**(4,842)**	**6,822**	**93,180**	**-**	**93,180**
Income tax expense and zakat										(21,399)
Profit after tax										**71,781**
Non-controlling interests										(20,366)
Profit attributable to owners of the Company										**51,415**

44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2011	Investment Banking, Equities & Futures and Loans & Financing RM'000	Commercial Banking RM'000	Wealth Management RM'000	Property Investment RM'000	Holding Entities RM'000	Others RM'000	Conso-lidated RM'000
Assets							
Tangible assets	9,812,576	317,462	30,727	282,577	30,889	15,003	10,489,234
Intangible assets	162,200	14,151	657	-	52,858	2,171	232,037
	9,974,776	331,613	31,384	282,577	83,747	17,174	10,721,271
Investments in associated companies and a jointly controlled entity	-	-	17,059	-	(192)	6,527	23,394
Segment assets	9,974,776	331,613	48,443	282,577	83,555	23,701	10,744,665
Unallocated assets							22,762
Consolidated total assets							**10,767,427**
Liabilities							
Segment liabilities	8,722,008	206,592	15,495	52,850	458	4,509	9,001,912
Unallocated liabilities							15,288
Consolidated total liabilities							**9,017,200**
Other information							
Capital expenditure	36,994	333	612	4,208	24	256	**42,427**

44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

For the year ended 31 December 2010	Investment Banking	Loans & Financing	Equities & Futures	Wealth Management	Property Investment	Holding Entities	Others	Total	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External parties	347,617	111,674	440,900	94,280	7,830	2,737	7,167	1,012,205	-	1,012,205
Inter-segment revenue	140	1,172	14,307	1,396	12,138	46,289	100	75,542	(75,542)	-
Total	**347,757**	**112,846**	**455,207**	**95,676**	**19,968**	**49,026**	**7,267**	**1,087,747**	**(75,542)**	**1,012,205**
Results										
Profit/(loss) from operations with external parties	183,939	55,466	62,809	5,661	19,857	(45,084)	(2,438)	280,210	52,280	332,490
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	183,951	56,134	62,030	4,696	31,879	424	(2,937)	336,177	(3,687)	332,490
Less: funding cost	(122,904)	(10,672)	(9,092)	-	(1,819)	272	(14)	(144,229)	3,687	(140,542)
Segment profits/(losses)	61,047	45,462	52,938	4,696	30,060	696	(2,951)	191,948	-	191,948
Share of results after tax of associated companies	-	-	-	847	-	-	2,176	3,023	-	3,023
Profit/(loss) before tax	**61,047**	**45,462**	**52,938**	**5,543**	**30,060**	**696**	**(775)**	**194,971**	**-**	**194,971**
Income tax expense and zakat										(43,716)
Profit after tax										**151,255**
Non-controlling interests										(33,642)
Profit attributable to owners of the Company										**117,613**

44. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31 December 2010	Investment Banking, Equities & Futures and Loans & Financing RM'000	Commercial Banking RM'000	Wealth Management RM'000	Property Investment RM'000	Holding Entities RM'000	Others RM'000	Consolidated 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
Investment 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	25,593	11,182	610	3,217	28	248	**40,878**

44. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operates in six geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia, Cambodia and Thailand. 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 and a jointly controlled entity, Investment property, Property and equipment and Intangible assets.

The comparative segment information have been reclassified to conform with current year format.

	Domestic	Foreign Countries						
	Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia	Thailand	Sub-Total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011								
Revenue	763,946	146,178	52,287	63,596	15,853	9,524	287,438	1,051,384
Profit/(loss) before tax	71,378	30,013	(11,037)	5,970	(3,827)	683	21,802	93,180
Capital expenditure	25,763	10,258	526	2,944	889	2,047	16,664	42,427
Total non-current assets	563,260	11,288	4,453	6,235	15,750	3,199	40,925	604,185
2010								
Revenue	689,180	191,982	60,602	59,632	10,809	-	323,025	1,012,205
Profit/(loss) before tax	137,676	58,222	(8,544)	10,431	(2,814)	-	57,295	194,971
Capital expenditure	22,324	2,146	1,188	4,038	11,182	-	18,554	40,878
Total non-current assets	531,757	2,871	5,833	6,089	16,925	-	31,718	563,475

45. SIGNIFICANT EVENTS

Significant events during the year relating to changes in composition of the Group is disclosed in Note 49. Other significant event, including status of a corporate proposal announced but not completed as at reporting date are as follows:

(a) Issuance of Membership Certificate by the Cambodia Securities Exchange ("CSX") to OSK Indochina Securities Limited ("OSKISL")

On 11 July 2011, CSX issued the Membership Certificate to OSKISL. The said membership permits OSKISL to undertake stockbroking business in Cambodia when the CSX commences operation.

OSKISL is a wholly-owned subsidiary company of OSK Indochina Bank Limited in Cambodia, which in turn is a wholly-owned subsidiary company of OSKIB, a wholly-owned subsidiary of the Company.

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45. SIGNIFICANT EVENTS (CONT'D)

(b) Application to Bank Negara Malaysia ("BNM") for OSK Holdings Berhad to commence negotiations with RHB Capital Berhad ("RHBC") for a possible merger of businesses between OSK investment banking group and RHB banking group ("Possible Merger")

On 29 September 2011, the Company submitted an application letter to BNM to seek an approval in principle to commence negotiations with RHBC for a possible merger of businesses between OSK investment banking group and RHB banking group.

On 13 October 2011, BNM stated that it has no objection in principle for the Company to commence negotiations with RHBC for the possible merger of businesses. The approval to commence negotiations is valid for a period of 3 months.

(c) Approval of Foreign Business Licence to OSK Securities (Thailand) Public Company Limited ("OSKST")

On 16 December 2011, OSKST obtained the permanent approval for the Foreign Business Licence from the Director-General of the Department of Business Development, Ministry of Commerce, Thailand. The said licence would enable OSKST to undertake such businesses relating to securities businesses and services as approved by the Ministry of Finance and the Securities and Exchange Commission, Thailand.

46. SUBSEQUENT EVENTS

(a) Application to Bank Negara Malaysia ("BNM") for OSK Holdings Berhad to commence negotiations with RHB Capital Berhad ("RHBC") for a possible merger of businesses between OSK investment banking group and RHB banking group ("Possible Merger")

Further to Note 45(b), on 11 January 2012, the Company has submitted an application to BNM to seek relevant approval in relation to the Possible Merger from the Minister of Finance via BNM.

(b) Acquisition of additional shares in BFIT Securities Public Company Limited, now known as OSK Securities (Thailand) Public Company Limited ("OSKST") by OSKIB

Between 1 January 2012 and 27 February 2012, OSKIB acquired additional 103,800 ordinary shares in OSKST from the open market for a total consideration of THB254,046 (approximately RM25,166), thereby increasing its equity interest in OSKST from 97.34% to 97.35%.

(c) Subscription of 51% interest by OSK International Investment Hong Kong Limited ("OSKIIHK") in OSK Fideus Asia and Emerging Markets Value Fund Ltd ("OSK Fideus")

OSKIIHK, a wholly-owned subsidiary of OSK Holdings Hong Kong Limited, which in turn is 93.50%-owned by OSKIB, which in turn is a wholly-owned subsidiary of OSKH, has subscribed for a 51% interest in a fund company, OSK Fideus incorporated under the laws of Cayman Islands.

OSK Fideus was incorporated on 25 November 2011 as an exempted company and will be registered as a professional mutual fund under the Mutual Fund Law of the Cayman Islands, with a business strategy of investing in Asia and emerging market equities. The authorised capital of OSK Fideus is US$50,000 divided into 100 Management Shares (with voting rights) at par value of US$1.00 each and 4,990,000 Participating Shares (without voting rights) at par value of US$0.01 each. On 24 February 2012, the issued and paid-up capital of OSK Fideus is US$100 divided into 100 Management Shares of which OSKIIHK has subscribed for 51 Management Shares or 51% amounting to US$51 (equivalent to approximately RM154), thus making OSK Fideus an indirect subsidiary of OSKH. The remaining 49% is being held by Alpheus Advisor ("Alpheus").

Alpheus, a company incorporated in 2002 under the laws of Greece, is an affiliate of the Alpheus Group Ltd. (registered in Bermuda) ("Alpheus Group"), which is engaged in the securities investment management services and the provision of family office services. Alpheus Group operates family offices in Athens, London and Zurich with significant allocation to fund strategies. Alpheus Group is also involved in managing The Gale Invest II (Cayman) Fund, an open-ended series of unit trusts established under the laws of the Cayman Islands in 2006, where one of the funds is also focused on Asian and emerging markets.

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. Berhad ("OSKNT") and Another (collectively referred to as the "Defendants") (Seremban High Court Suit No. 22-216-2003)

The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking, inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20 million, 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 million granted to Azari by OSKC. OSKC and OSKNT have 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 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. On 1st August 2011, Azari withdrew his Appeal against the Defendants.

The Chargor's Appeal was heard on 22 February 2012 and was dismissed with costs.

(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 it was heard on 1 March 2011 and was fixed for decision on 14 March 2011. On 14 March 2011, the Court dismissed the Plaintiff's claims against the Defendant. The Defendant's counterclaim was earlier fixed for trial on 4 and 5 April 2011 but had been postponed to 21 and 22 June 2011. The trial dates were further postponed by the Court to 3 August 2011 pending settlement between the parties. On 3 August 2011, the Defendant withdrew the counter claim against the Plaintiff since the Plaintiff had on 1 August 2011 withdrawn his appeal under the Seremban High Court Suit No. 22-216-2003.

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48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

The proportion of voting power held is equal to proportion of ownership interest. The subsidiary, associated companies and a jointly controlled entity of the Group that have the same financial year end as the Company at year end are as follows:

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(a)	**Subsidiary companies of the Company:**				
	OSK Investment Bank Berhad ("OSKIB") (a Participating Organisation of Bursa Malaysia Securities Berhad and an Investment Bank)	Malaysia	Stock broking and investment banking activities	100.00	100.00
*	OSK Investment Bank (Labuan) Limited	Federal Territory of Labuan, Malaysia	Labuan investment banking activities	100.00	100.00
	KE-ZAN Holdings Berhad	Malaysia	Investment holding and letting of commercial properties	100.00	100.00
	OSK Capital Sdn. Bhd.	Malaysia	Capital financing business	100.00	100.00
	OSK REIT Management Sdn. Bhd.	Malaysia	Management company for real estate investment trusts (inactive)	100.00	100.00
	OSK Realty Sdn. Bhd.	Malaysia	Property investment	100.00	100.00
	OSK Ventures Sdn. Bhd.	Malaysia	Provision of venture capital business (inactive)	100.00	100.00
(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 (inactive)	100.00	100.00
	KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	100.00	100.00

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48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(b)	**Subsidiary companies of OSKIB: (Cont'd)**				
	OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders	100.00 Note 49(b)	100.00
	OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders	100.00 Note 49(b)	100.00
	TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders (inactive)	100.00	100.00
	TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	100.00	100.00
	OSK Research Sdn. Bhd.	Malaysia	Investment research services	100.00	100.00
	OSK International Asset Management Sdn. Bhd	Malaysia	Fund management	100.00	100.00
	OSK Futures And Options Sdn. Bhd.	Malaysia	Inactive	100.00	100.00
#	OSK Indochina Bank Limited	Cambodia	Commercial bank	100.00	100.00
*	OSK International Investments Pte. Ltd	Singapore	Investment holding	100.00	100.00
*	OSK Holdings Hong Kong Limited	Hong Kong	Investment holding	93.50	93.50
	OSK-UOB Investment Management Berhad (formerly known as OSK-UOB Unit Trust Management Berhad)	Malaysia	Management of unit trust funds	70.00	70.00

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48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(b)	**Subsidiary companies of OSKIB: (Cont'd)**				
*	DMG & Partners Securities Pte. Ltd.	Singapore	Provision of stock and share broking services and corporate finance advisory services	51.00	51.00
*	PT OSK Nusadana Securities Indonesia	Indonesia	Provision of stock and share broking services	51.00 Note 49(d)	51.00
*	OSK Securities (Thailand) Public Company Limited (formerly known as BFIT Securities Public Company Limited)	Thailand	Provision of stock and share broking services	97.34 Note 49(e)	-
(c)	**Subsidiary company of OSK International Investment Pte. Ltd. and the interests held by the said subsidiary:**				
*	OSK International Asset Management Pte. Ltd.	Singapore	Fund management	100.00 Note 49(g)	100.00
(d)	**Subsidiary companies of OSK Holdings Hong Kong Limited and the interests held by the said subsidiary:**				
*	OSK Capital Hong Kong Limited	Hong Kong	Provision of corporate finance advisory services	100.00	100.00
*	OSK Finance Hong Kong Limited	Hong Kong	Money lending	100.00	100.00
*	OSK Futures Hong Kong Limited	Hong Kong	Dealing in futures contracts	100.00	100.00
*	OSK Securities Hong Kong Limited	Hong Kong	Securities dealing and provision of securities margin financing	100.00	100.00
*	OSK Precious Metals Hong Kong Limited	Hong Kong	Trading of precious metals	100.00	100.00
*	OSK International Investments Hong Kong Limited	Hong Kong	Dealing in securities, advising on securities and provision of asset management services	100.00	100.00

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48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(d)	**Subsidiary companies of OSK Holdings Hong Kong Limited and the interests held by the said subsidiary: (Cont'd)**				
+*	OSK (China) Investment Advisory Company Ltd	People's Republic of China	Provision of investment and business advisory and related services	100.00	100.00
*	OSK Wealth Management Hong Kong Limited	Hong Kong	Negotiating or arranging contracts of insurance	100.00	100.00
(e)	**Subsidiary company of OSK Securities Hong Kong Limited and the interests held by the said subsidiary:**				
+*	OSK Nominees Hong Kong Limited	Hong Kong	To act as attorneys, nominees' agents, trustees and related activities for beneficial shareholders	100.00	100.00
(f)	**Subsidiary companies of OSK-UOB Investment Management Berhad and the interests held by the said subsidiary:**				
	OSK Wealth Planners Sdn. Bhd. (In Members' Voluntary Liquidation)	Malaysia	Provision of financial planning and related services	- Note 49(h)	100.00
	OSK-UOB Islamic Fund Management Berhad	Malaysia	Offer Islamic fund services	70.00 Note 49(i)	70.00
(g)	**Subsidiary companies of DMG & Partners Securities Pte. Ltd. and the interests held by the said subsidiary:**				
*	DMG & Partners Nominees Pte. Ltd.	Singapore	Nominee services	100.00	100.00
*	Summit Nominees Pte. Ltd.	Singapore	Nominee services	100.00	100.00
*	DMG & Partners Research Pte. Ltd.	Singapore	Financial advisory services	100.00	100.00
(h)	**Subsidiary company of PT OSK Nusadana Securities Indonesia and the interests held by the said subsidiary:**				
*	PT OSK Nusadana Asset Management	Indonesia	Investment manager	99.62 Note 49(j)	99.23

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48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(i)	**Subsidiary company of OSK Indochina Bank Limited and the interests held by the said subsidiary:**				
#+	OSK Indochina Securities Limited	Cambodia	Securities dealing and provision of securities margin financing	100.00	100.00
(j)	**Subsidiary companies of the Group:**				
	OSK Trustees Berhad	Malaysia	Professional wills and trustee services	100.00	100.00
	The shareholdings in OSK Trustees Berhad are held by:-				
	(i) The Company			20.00	20.00
	(ii) OSKIB			20.00	20.00
	(iii) OSK Nominees (Tempatan) Sdn. Berhad			20.00	20.00
	(iv) OSK Nominees (Asing) Sdn. Berhad; and			20.00	20.00
	(v) OSK Futures And Options Sdn. Bhd.			20.00	20.00
				100.00	100.00
	Malaysian Trustees Berhad	Malaysia	Professional wills and trustee services	100.00 Note 49(c)	-
	The shareholdings in Malaysian Trustees Berhad are held by:-				
	(i) The Company			20.00	-
	(ii) OSKIB			20.00	-
	(iii) OSK Nominees (Tempatan) Sdn. Berhad			20.00	-
	(iv) OSK Nominees (Asing) Sdn. Berhad; and			20.00	-
	(v) OSK Futures And Options Sdn. Bhd.			20.00	-
				100.00	-
	Beneficial Services Berhad (Liquidated)	Malaysia	Ceased operations	- Note 49(f)	100.00
	The shareholdings in Beneficial Services Berhad ("BSB") were held by:-				
	(i) The Company			-	20.00
	(ii) OSKIB			-	20.00
	(iii) OSK Nominees (Tempatan) Sdn. Berhad			-	20.00
	(iv) TCL Nominees (Tempatan) Sdn. Bhd.			-	20.00
	(v) KE-ZAN Nominees (Tempatan) Sdn. Bhd.			-	20.00
				-	100.00

48. SUBSIDIARY, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest 2011 %	2010 %
(k)	**Associated companies of OSKIB and of the Group:**				
*	iFast-OSK Sdn. Bhd.	Malaysia	Investment holding	38.05 Note 49(a)	42.47
	UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	30.00	30.00
	Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	40.05	40.05
(l)	**Jointly controlled entity of OSKIAML:**				
*	OSK GC-Millennium Capital Pte. Ltd.	Singapore	Management of business operation and administration of the approved funds	40.00 Note 49(k)	-

* Audited by firms of Chartered Accountants other than Messrs. Ernst & Young.
# Audited by member firms of Chartered Accountants of Messrs. Ernst & Young Global.
+ This subsidiary company has not commenced operation as at 31 December 2011.

49. CHANGES IN COMPOSITION OF THE GROUP

(a) Dilution of equity interest in iFast-OSK Sdn. Bhd

iFast-OSK Sdn. Bhd., an associated company of OSKIB had increased its issued and paid-up ordinary share capital as follows for working capital purposes:

- 26 January 2011, from RM15,000,000 to RM16,000,000 by issuance of 1 million ordinary shares of RM1.00 each.
- 25 March 2011, from RM16,000,000 to RM18,000,000 by issuance of 2 million ordinary shares of RM1.00 each.
- 26 August 2011, from RM18,000,000 to RM21,000,000 by issuance of 3 million ordinary shares of RM1.00 each.
- 30 November 2011, from RM21,000,000 to RM22,000,000 by issuance of 1 million ordinary shares of RM1.00 each.

OSKIB only subscribed for 2 million ordinary shares in iFast-OSK Sdn. Bhd. on 26 August 2011 and did not partake in the other issues. Consequently, OSKIB's equity interest in iFast-OSK Sdn. Bhd. was diluted from 42.47% to 38.05%.

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

(b) Subscription of additional shares in OSK Nominees (Tempatan) Sdn. Berhad ("OSKNT") and OSK Nominees (Asing) Sdn. Berhad ("OSKNA")

On 14 June 2011, the issued and fully paid share capital of OSKNT was increased from RM1,500,000 divided into 1,500,000 ordinary shares of RM1.00 each to RM3,670,000 divided into 3,670,000 ordinary shares of RM1.00 each by the issuance of 2,170,000 new ordinary shares of RM1.00 each to OSKIB.

On 14 June 2011, the authorised share capital of OSKNA was increased from RM500,000 divided into 500,000 ordinary shares of RM1.00 each to RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each by the creation of 4,500,000 new ordinary shares of RM1.00 each. On even date, the issued and fully paid share capital of OSKNA was increased from RM500,000 divided into 500,000 ordinary shares of RM1.00 each to RM2,670,000 divided into 2,670,000 ordinary shares of RM1.00 each by the issuance of 2,170,000 new ordinary shares of RM1.00 each to OSKIB.

The equity interests of OSKIB and of the Company in OSKNT and OSKNA remain at 100% each. The rationale of increasing the issued and fully paid share capital is to facilitate the acquisition of Malaysian Trustees Berhad as disclosed in Note 49(c).

(c) Acquisition of 100% equity interest in Malaysian Trustees Berhad ("MTB")

On 15 June 2011, the Company and its subsidiaries, OSKIB, OSKNT, OSKNA, and OSK Futures And Options Sdn Bhd ("OSKFO") have collectively acquired 110,000 ordinary shares of RM10.00 each partly paid up to RM5.00 each ("MTB Share"), representing 100% of the issued and paid-up capital of MTB for a total cash consideration of approximately RM10.85 million ("the Acquisition of MTB") or RM98.61 per MTB Share through the following arrangements:-

(i) Acquisition of 95.45% equity interest comprising 105,000 MTB Share pursuant to a share sale agreement entered into between OSKIB, OSKH, OSKNT, OSKNA, OSKFO and the respective shareholders of MTB; and

(ii) Acquisition of 4.55% equity interest comprising 5,000 MTB Share by the Company from the remaining shareholder.

The purchase consideration was arrived at on a willing buyer willing seller basis taking into consideration the net assets and future earnings potential of MTB.

The shareholding structure in MTB is as follows:-

		Number of shares	%
(i)	The Company	22,000	20
(ii)	OSKIB	22,000	20
(iii)	OSKNT	22,000	20
(iv)	OSKNA	22,000	20
(v)	OSKFO	22,000	20
		110,000	**100**

MTB was incorporated in 1975 and its principal activities are to engage in the business as trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949. MTB is a leading trustee company in the private debt securities.

The effect of the acquisition on cash flows is as follows:

	RM'000
Purchase consideration satisfied by cash	10,847
Cash and cash equivalents of subsidiary company acquired	(2,536)
Net cash outflow on acquistion	**8,311**

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

(c) Acquisition of 100% equity interest in Malaysian Trustees Berhad ("MTB") (Cont'd)

The acquisition had the following effect on the Group's financial results for the year:

	Date of acquisition to 31.12.2011 RM'000
Revenue	3,017
Profit before tax	1,675
Profit for the period	**1,262**

If the acquisition had been effected on 1 January 2011, the financial results contributed by MTB for the current year would have been:

	1.1.2011 to 31.12.2011 RM'000
Revenue	5,450
Profit before tax	3,025
Profit for the year	**2,300**

The fair values of assets and liabilities of MTB recognised upon acquisition on the date of completion, 15 June 2011, were as follows:

	RM'000
Cash and short term funds	2,536
Securities available-for-sale	8,426
Other assets	1,514
Property and equipment	53
Intangible assets	66
Other liabilities	(3,300)
Tax payable	(252)
Deferred tax liabilities	(31)
Fair value of total net assets	9,012
Add: Goodwill on consolidation (Note 19(a))	1,835
Total acquisition costs	**10,847**

(d) Subscription of PT OSK Nusadana Securities Indonesia ("OSKNSI") Rights Issue by OSKIB

On 30 June 2011, OSKNSI increased its authorised capital from IDR200 billion to IDR400 billion divided into 400,000 shares each having a nominal value of IDR1 million. On 30 June 2011, OSKNSI increased its paid-up share capital from 102,041 shares to 204,082 shares of IDR1 million each via a rights issue with an exercise price of IDR1.8 million for each share.

OSKIB has subscribed to its full entitlement of 52,041 shares for IDR1.8 million each, amounting to IDR93,673.8 million (approximately RM33.0 million). Upon completion of the subscription, the equity interest held by OSKIB in OSKNSI remains at 51%.

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

(e) Acquisition of BFIT Securities Public Company Limited, now known as OSK Securities (Thailand) Public Company Limited ("OSKST") and subsequent Mandatory Tender Offer by OSKIB

On 21 July 2011, OSKIB completed the acquisition of 399,999,860 fully paid ordinary shares of OSKST ("OSKST Shares") from Bangkok First Investment & Trust Public Company Limited ("BFIT") for a purchase consideration of THB1,029.80 million (approximately RM103.56 million). On the same day, OSKIB acquired an additional 18,450,600 OSKST Shares from other shareholders of OSKST for a purchase consideration of THB47.50 million (approximately RM4.78 million). The total of 418,450,460 OSKST Shares was acquired for a total purchase consideration of THB1,077.30 million (approximately RM108.34 million) equivalent to a purchase price of THB2.57449 per share and representing 51.10% of the issued and paid up capital of OSKST as at 30 June 2011 ("the Acquisition of OSKST").

Upon completion of the above acquisition, OSKST became a 51.10%-owned subsidiary company of OSKIB.

OSKST is a member of the Thailand Stock Exchange and holds licences to engage in securities brokerage, securities trading, underwriting, securities registrar, financial advisory and derivatives trading business.

The effect of the acquisition on cash flows is as follows:

	RM'000
Purchase consideration satisfied by cash	108,337
Cash and cash equivalents of subsidiary company acquired	(96,119)
Net cash outflow on acquisition	**12,218**

The acquisition had the following effect on the Group's financial results for the year:

	Date of acquisition to 31.12.2011 RM'000
Revenue	9,437
Profit before tax	597
Profit for the period	**535**

If the acquisition had been effected on 1 January 2011, the financial results contributed by OSKST for the current year would have been:

	1.1.2011 to 31.12.2011 RM'000
Revenue	20,673
Profit before tax	3,308
Profit for the year	**2,691**

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

(e) Acquisition of BFIT Securities Public Company Limited, now known as OSK Securities (Thailand) Public Company Limited ("OSKST") and subsequent Mandatory Tender Offer by OSKIB (Cont'd)

The fair values of assets and liabilities of OSKST recognised upon acquisition on the date of completion, 21 July 2011, were as follows:

	As at date of acquisition RM'000
Cash and short term funds	96,119
Securities held for trading	20,259
Other assets	108,034
Property and equipment	549
Intangible assets	779
Other liabilities	(13,084)
Tax payable	(551)
Fair value of total net assets	212,105
Less: Negative goodwill on consolidation (Note 33(g))	(87)
	212,018
Non-controlling interests	(103,681)
Total acquisition costs	**108,337**

After the completion of the Acquisition of OSKST, OSKIB made a Mandatory Tender Offer ("MTO") for all the remaining shares not already held by OSKIB, pursuant to the Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeovers, issued by the Securities and Exchange Commission of Thailand. The MTO was effective from 5 August 2011 to 9 September 2011 (for 25 business days) at an offer price of THB2.57 per share, OSKIB acquired 378,425,275 ordinary shares in OSKST at total consideration of THB974.26 million (approximately RM98.36 million). Following the acquisition via MTO, the equity interest of OSKIB in OSKST increased from 51.10% to 97.28%.

Subsequent to 9 September 2011, OSKIB acquired an additional 514,000 ordinary shares from the open market at a total consideration of THB1,243,222 (approximately RM126,320), thereby increasing its equity interest in OSKST from 97.28% to 97.34% as of 31 December 2011.

Following the above, additional shares purchased by OSKIB is disclosed in Note 46(b).

(f) Members' Voluntary Winding Up of Beneficial Services Berhad ("BSB")

On 23 January 2009, BSB, a wholly-owned subsidiary company of the Group, initiated a 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. 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 pursuant to Section 258(1) of the Act.

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 Group had on 2 November 2007 acquired the entire equity interests in BSB. The principal activities of BSB were engaged in the business of trust agent, executor and administrator under the Trust Companies Act, 1949. On 29 December 2008, the business of BSB was transferred to OSK Trustees Berhad pursuant to the Vesting Order granted by the High Court of Malaya dated 25 June 2008. Since then, BSB remained dormant. The winding up of BSB had no material impact on the earnings and net assets of the Group.

On 8 June 2009 and 23 June 2011, the Liquidators of BSB made a first interim and a second and final returns of surplus of assets of RM400,000 and RM48,000 respectively to the shareholders of BSB, representing a total of RM4.48 per ordinary share of RM10.00 each.

On 22 September 2011, BSB held its final meeting for the Members' Voluntary Winding-Up. Pursuant to Section 272(5) of the Companies Act, 1965 and BSB has been dissolved on 29 December 2011.

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

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

On 13 September 2011, OSKIIL subscribed for SGD$850,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid up share capital of OSKIAML increased from SGD$3,000,000 to SGD$3,850,000.

OSKIAML is a wholly-owned subsidiary company of OSKIIL which in turn is a wholly-owned subsidiary company of OSKIB, a wholly-owned subsidiary of the Company. Upon completion of the subscription, the equity interest held by OSKIIL in OSKIAML remains the same.

(h) 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 the 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 of OSKWP pursuant to Section 258(1) of the Act. OSKWP is a wholly-owned subsidiary company of OSK-UOB Investment Management Berhad (formerly known as OSK-UOB Unit Trust Management Berhad) which in turn is a 70%-owned subsidiary of OSKIB, 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 2.15 million ordinary shares of RM1.00 each. The winding up of OSKWP will not have material impact on the earnings and net assets of the Group.

On 10 October 2011, the Liquidators of OSKWP made a first interim and a second and final returns of surplus of assets of RM8,000 and RM6,462 respectively to the shareholder of OSKWP, representing a total of RM0.0067 per ordinary share of RM1.00 each.

On 25 November 2011, OSKWP held its final meeting for the Members' Voluntary Winding-Up. Pursuant to Section 272(5) of the Companies Act, 1965 and OSKWP will be dissolved on 25 February 2012.

(i) Subscription of 1,000,000 shares of RM1.00 each in OSK-UOB Islamic Fund Management Berhad ("OUIFM") by OSK-UOB Investment Management Berhad ("OUIM")

On 23 December 2011, the issued and paid up share capital of OUIFM has increased by RM1,000,000 from RM12,000,000 to RM13,000,000. OUIM has subscribed its full entitlement for 700,000 ordinary shares of RM1.00 each, representing 70% of the increased issued and fully paid capital for a total consideration of RM700,000 for working capital purpose.

OUIFM is a 70%-owned subsidiary company of OUIM which in turn is a 70%-owned subsidiary company of the OSKIB, a wholly-owned subsidiary of the Company. Upon completion of the subscription, the equity interest held by OUIM in OUIFM remains at 70%.

(j) Subscription of 25,000 shares of IDR1,000,000.00 each in PT. OSK Nusadana Asset Management ("OSKNAM")

On 28 December 2011, OSKNSI, has subscribed for 25,000 new ordinary shares of IDR1 million each in OSKNAM for working capital purpose. The issued and fully paid share capital of OSKNAM has increased from IDR25 billion to IDR50 billion.

OSKNAM is a 99.23%-owned subsidiary company of OSKNSI which in turn a 51%-owned subsidiary company of the OSKIB. Upon completion of the subscription, the equity interest held by OSKNSI in OSKNAM increased from 99.23% to 99.62%.

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

(k) Joint Venture between OSK International Asset Management Pte Ltd ("OSKIAML"), Gryphus Capital Partners Pte Ltd ("Gryphus") and Dejoera Holdings Ltd ("Dejoera")

On 30 December 2011, OSKIAML, a wholly-owned subsidiary company of OSK International Investments Pte Ltd, which in turn is a wholly-owned subsidiary company of OSKIB, a wholly-owned subsidiary company of the Company, has entered into a Shareholders' Agreement with Gryphus and Dejoera, in relation to a joint venture company established in Singapore, namely OSK GC-Millennium Capital Pte Ltd ("OSKGC"), to act as General Partner to one or more approved funds to be set up in Singapore.

The issued and paid-up capital of OSKGC is SGD10,000 divided into 10,000 ordinary shares at par value of SGD1.00 each. OSKIAML owns 40% at SGD4,000 (equivalent to approximately RM10,000) and the remaining is shared equally between Gryphus and Dejoera, at 30% each.

OSKGC, as General Partner, will be responsible for the management of the overall business operation and administration of the approved funds. It will engage OSKIAML as its fund manager to provide an operating platform under which Gryphus' expertise will be incorporated and Dejoera will market the approved funds to potential investors.

OSKIAML is incorporated in Singapore as a fund management company and is an Exempt Fund Manager under the Monetary Authority of Singapore regulatory regime.

Gryphus was incorporated in year 2000 in Singapore as an investment advisor for private equity investment in the Asia Pacific region. Gryphus has provided investment fund management and advisory services to several reputable financial institutions for various private equity investment transactions in Singapore, USA, China, India, Japan, Korea, and South East Asia across different industry sectors. Gryphus is an Exempt Fund Manager under the Monetary Authority of Singapore regulatory regime.

Dejoera, a company incorporated under the laws of British Virgin Islands, is engaged in the business of assisting the Chinese investors to source investment opportunities overseas, especially in the emerging industries. It has offices in Beijing, Hong Kong and Singapore. Dejoera's wholly-owned subsidiary company, Beijing Dejoera Investment Co. Ltd. has over 18 years experience in equity and private equity investments in China.

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.

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50. FINANCIAL INSTRUMENTS (CONT'D)

(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:

Group	Note	2011 Carrying Amounts RM'000	2011 Fair Values RM'000	2010 Carrying Amounts RM'000	2010 Fair Values RM'000
Financial assets					
Securities held-to-maturity					
- bankers' acceptance and Islamic accepted bills	8(b)	-	-	9,789	9,791
- Cagamas bonds	8(b)	5,014	5,026	5,037	5,053
- Malaysian Government Investment Issue	8(b)	140,145	141,759	185,441	185,941
- Negotiable instruments of deposit	8(b)	70,000	70,004	110,000	110,008
- Private and Islamic debt securities	8(b)	424,737	498,999	352,160	355,111
Financial liabilities					
Subordinated notes	27	400,000	424,305	300,000	317,793

50. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

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

(i) Securities held-to-maturity

The fair value of securities held-to-maturity 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.

(ii) Subordinated notes

The fair value of these borrowing is estimated by reference to their indicative price as quoted by Bond Pricing Agency Malaysia Sdn. Bhd.

(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 or at any amount payable should the guarantees crystalise. 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) and (f), 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 Group 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 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities held-for-trading				
- Malaysian Government Investment Issue	-	40,901	-	40,901
- Malaysian Government Securities	-	30,482	-	30,482
- Quoted shares and exchange traded funds	195,703	-	-	195,703
- Trust units	12,242	-	-	12,242
- Quoted debt securities	9,075	-	-	9,075
- Unquoted debt securities	-	24,937	-	24,937
Total	**217,020**	**96,320**	**-**	**313,340**
Securities available-for-sale				
- Bankers' acceptance and Islamic accepted bills	-	300,132	-	300,132
- Cagamas bonds	-	5,008	-	5,008
- Malaysian Government Investment Issue	-	408,233	-	408,233
- Malaysian Government Securities	-	432,145	-	432,145
- Negotiable instruments of deposits	-	159,637	-	159,637
- Quoted shares and warrants	10,027	-	-	10,027
- Trust units	20,072	-	-	20,072
- Unquoted debt securities	-	1,870,239	-	1,870,239
Total	**30,099**	**3,175,394**	**-**	**3,205,493**
Derivative financial assets				
- Equity related contracts	-	131	-	131
- Interest rate swaps	-	7,946	-	7,946
- Foreign currency, forward and swap contracts	-	324	-	324
Total	**-**	**8,401**	**-**	**8,401**
Financial liabilities				
Derivative financial liabilities				
- Structured warrants	66,392	-	-	66,392
- Structured investments	-	11,380	-	11,380
- Interest rate swaps	-	29,846	-	29,846
- Foreign currency swap contracts	-	1,249	-	1,249
Total	**66,392**	**42,475**	**-**	**108,867**

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

(d) Fair values (Cont'd)

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

Company 31 December 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities held-for-trading				
- Quoted shares and exchange traded funds	**25,329**	**-**	**-**	**25,329**

Group 31 December 2010	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Securities purchased under resale agreements				
- Malaysian Government Securities	-	59,886	-	59,886
- Quoted shares	51,600	-	-	51,600
Total	**51,600**	**59,886**	**-**	**111,486**
Securities held-for-trading				
- Quoted shares and exchange traded funds	298,884	-	-	298,884
- Trust units	1,049	-	-	1,049
- Unquoted debt securities	-	349,063	-	349,063
Total	**299,933**	**349,063**	**-**	**648,996**
Securities available-for-sale				
- Bankers' acceptance and Islamic accepted bills	-	431,730	-	431,730
- Cagamas bonds	-	7,041	-	7,041
- Malaysian Government Investment Issue	-	160,620	-	160,620
- Malaysian Government Securities	-	610,456	-	610,456
- Negotiable instruments of deposits	-	80,301	-	80,301
- Quoted shares and warrants	9,724	-	-	9,724
- Trust units	9,200	-	-	9,200
- Unquoted debt securities	-	1,476,282	-	1,476,282
Total	**18,924**	**2,766,430**	**-**	**2,785,354**
Derivative financial assets				
- Equity related contracts	-	50,707	-	50,707
- Commodities related contracts	11	-	-	11
- Interest rate swaps	-	37,453	-	37,453
- Foreign currency, forward and swap contracts	-	2,126	-	2,126
Total	**11**	**90,286**	**-**	**90,297**

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

(d) Fair values (Cont'd)

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

Group 31 December 2010	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liabilities				
Derivative financial liabilities				
- Equity related contracts	45	-	-	45
- Commodities related contracts	8	-	-	8
- Structured warrants	141,452	-	-	141,452
- Structured investments	-	6,504	-	6,504
- Foreign currency swap contracts	-	1,740	-	1,740
Total	**141,505**	**8,244**	**-**	**149,749**

Company 31 December 2010	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Security held-for-trading				
- Quoted shares and exchange traded funds	**23,844**	**-**	**-**	**23,844**

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 Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives financial instruments

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 spot 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 (2010 : 75) basis points higher for the Group, with all other variables held constant, the Group's profit net of tax would have been approximately RM1,101,000 (2010 : RM957,000) higher/lower, arising mainly as a result of higher/lower interest income from loans, advances and financing and securities available-for-sale and higher/lower 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.

50. FINANCIAL INSTRUMENTS (CONT'D)

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

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 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	1,695,727	11,528	14,198	12,494	5,000	660,174	-	2,399,121	3.26
Deposits and placements with a bank	-	50,000	-	-	-	-	-	50,000	3.20
Securities held-for-trading	-	-	-	-	-	-	313,340	313,340	-
Securities held-to-maturity	-	89,514	67,491	236,965	245,926	-	-	639,896	3.40
Securities available-for-sale	168,196	318,801	231,790	1,270,137	1,186,471	55,395	-	3,230,790	3.70
Derivative financial assets	-	-	-	-	-	8,401	-	8,401	-
Loans, advances and financing									
- Non-impaired	451,894	111,556	686,675	281,804	103,543	-	-	1,635,472	8.38
- Impaired	-	-	-	-	-	5,035	-	5,035	-
Statutory and reserve deposits with Central Banks	-	-	-	-	33,724	179,610	-	213,334	0.07
Trade receivables	33,512	-	-	-	-	1,490,117	-	1,523,629	2.11
Other assets	-	100	100	-	-	121,262	-	121,462	3.36
Other non-interest sensitive assets	-	-	-	-	-	626,947	-	626,947	-
Total Assets	**2,349,329**	**581,499**	**1,000,254**	**1,801,400**	**1,574,664**	**3,146,941**	**313,340**	**10,767,427**	

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50. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	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 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
LIABILITIES									
Deposits from customers	2,824,894	685,679	1,109,726	47,832	-	42,022	-	4,710,153	3.48
Deposits and placements of banks and other financial institutions	271,768	333,187	53,794	-	-	-	-	658,749	3.07
Obligations on securities sold under repurchase agreements	291,083	-	-	-	-	-	-	291,083	0.47
Derivative financial liabilities	-	-	-	-	-	108,867	-	108,867	-
Trade payables	-	-	-	-	-	2,387,974	-	2,387,974	-
Borrowings	238,996	-	121	-	-	-	-	239,117	3.90
Subordinated notes	-	-	-	-	400,000	-	-	400,000	6.86
Other non-interest sensitive liabilities	-	-	-	-	-	221,257	-	221,257	-
Total Liabilities	**3,626,741**	**1,018,866**	**1,163,641**	**47,832**	**400,000**	**2,760,120**	**-**	**9,017,200**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	1,449,039	-	1,449,039	
Non-controlling interests	-	-	-	-	-	301,188	-	301,188	
Total Equity	**-**	**-**	**-**	**-**	**-**	**1,750,227**	**-**	**1,750,227**	
Total Liabilities and Equity	**3,626,741**	**1,018,866**	**1,163,641**	**47,832**	**400,000**	**4,510,347**	**-**	**10,767,427**	
On-balance sheet interest sensitivity gap	(1,277,412)	(437,367)	(163,387)	1,753,568	1,174,664	(1,363,406)	313,340	-	
Off-balance sheet interest sensitivity gap	-	19,062	1,319,216	642,825	12,708	-	-	1,993,811	
Total Interest Sensitivity Gap	**(1,277,412)**	**(418,305)**	**1,155,829**	**2,396,393**	**1,187,372**	**(1,363,406)**	**313,340**	**1,993,811**	
Cumulative interest rate sensitivity gap	(1,277,412)	(1,695,717)	(539,888)	1,856,505	3,043,877	1,680,471	1,993,811	1,993,811	

50. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	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 2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short term funds	985,322	51,888	4,773	-	-	510,898	-	1,552,881	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	4.07
Derivative financial assets	-	-	-	-	-	90,297	-	90,297	-
Loans, advances and financing									
- Non-impaired	478,317	129,554	338,243	282,770	46,355	60,222	-	1,335,461	8.76
- Impaired	-	-	-	-	-	11,986	-	11,986	-
Statutory and reserve deposits with Central Banks	-	-	-	-	24,468	45,210	-	69,678	0.15
Trade receivables	31,374	-	-	-	-	2,011,128	-	2,042,502	1.88
Other assets	-	-	100	-	-	96,136	-	96,236	3.15
Other non-interest sensitive assets	-	-	-	-	-	570,886	-	570,886	-
Total Assets	**1,929,967**	**486,338**	**839,601**	**2,039,274**	**566,726**	**3,477,800**	**648,996**	**9,988,702**	

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50. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	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 2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
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	
Non-controlling 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	

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 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	21	-	-	-	-	2,525	-	2,546	2.95
Securities held-for-trading	-	-	-	-	-	-	25,329	25,329	-
Other assets	-	-	-	-	-	1,027,560	-	1,027,560	-
Total Assets	**21**	**-**	**-**	**-**	**-**	**1,030,085**	**25,329**	**1,055,435**	
LIABILITIES									
Other liabilities	89,943	-	-	-	-	11,348	-	101,291	4.00
Other non-interest sensitive liabilities	-	-	-	-	-	4	-	4	-
Total Liabilities	**89,943**	**-**	**-**	**-**	**-**	**11,352**	**-**	**101,295**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	954,140	-	954,140	
Total Equity	**-**	**-**	**-**	**-**	**-**	**954,140**	**-**	**954,140**	
Total Liabilities and Equity	**89,943**	**-**	**-**	**-**	**-**	**965,492**	**-**	**1,055,435**	
On-balance sheet interest sensitivity gap	(89,922)	-	-	-	-	64,593	25,329	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	**(89,922)**	**-**	**-**	**-**	**-**	**64,593**	**25,329**	**-**	

50. FINANCIAL INSTRUMENTS (CONT'D)

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

Company	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 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 non-interest sensitive assets	13,514	-	-	-	-	1,021,133	-	1,034,647	-
Total Assets	**17,671**	**-**	**-**	**-**	**-**	**1,021,282**	**23,844**	**1,062,797**	
LIABILITIES									
Other liabilities	52,250	-	-	-	-	13,173	-	65,423	4.00
Borrowings	-	4,434	-	-	-	-	-	4,434	4.75
Other non-interest sensitive liabilities	-	-	-	-	-	686	-	686	-
Total Liabilities	**52,250**	**4,434**	**-**	**-**	**-**	**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	**52,250**	**4,434**	**-**	**-**	**-**	**1,006,113**	**-**	**1,062,797**	
On-balance sheet interest sensitivity gap	(34,579)	(4,434)	-	-	-	15,169	23,844	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	**(34,579)**	**(4,434)**	**-**	**-**	**-**	**15,169**	**23,844**	**-**	

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, Indonesian Rupiah and Thai Baht.

Group	Ringgit Malaysia	Singapore Dollar	Hong Kong Dollar	United States Dollar	Indonesian Rupiah	Thai Baht	Others	Total
As at 31 December 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS								
Cash and short term funds	1,440,863	242,502	165,620	164,353	164,539	203,242	18,002	2,399,121
Deposits and placements with a bank	50,000	-	-	-	-	-	-	50,000
Securities held-for-trading	233,194	7,503	1,174	39,667	22,717	9,075	10	313,340
Securities held-to-maturity	501,284	2,443	-	121,648	34	-	14,487	639,896
Securities available-for-sale	2,148,368	124,630	2,309	828,771	46,178	200	80,334	3,230,790
Derivative financial assets	3,215	400	-	4,564	87	-	135	8,401
Loans, advances and financing	1,175,107	150,190	38,585	226,022	27,841	22,762	-	1,640,507
Tax recoverable	9,436	-	-	-	1,369	-	-	10,805
Trade receivables	802,296	452,157	26,296	111,771	119,608	8,133	3,368	1,523,629
Other assets	81,967	17,355	5,601	5,261	6,883	4,222	173	121,462
Statutory and reserve deposits with Central Banks	179,610	-	-	33,724	-	-	-	213,334
Deferred tax assets	10,672	-	-	-	1,285	-	-	11,957
Investments in associated companies and a jointly controlled entity	23,384	10	-	-	-	-	-	23,394
Investment property	149,000	-	-	-	-	-	-	149,000
Property and equipment	162,489	10,955	3,704	14,389	5,974	2,243	-	199,754
Intangible assets	228,389	323	748	1,361	260	956	-	232,037
Total Assets	**7,199,274**	**1,008,468**	**244,037**	**1,551,531**	**396,775**	**250,833**	**116,509**	**10,767,427**

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 31 December 2011	Ringgit Malaysia RM'000	Singapore Dollar RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesian Rupiah RM'000	Thai Baht RM'000	Others RM'000	Total RM'000
LIABILITIES								
Deposits from customers	4,514,498	1,278	-	177,645	-	-	16,732	4,710,153
Deposits and placements of banks and other financial institutions	602,748	-	-	56,001	-	-	-	658,749
Obligations on securities sold under repurchase agreements	291,083	-	-	-	-	-	-	291,083
Derivative financial liabilities	77,076	409	1	24,439	-	-	6,942	108,867
Trade payables	1,464,415	620,874	120,055	5,412	139,145	35,411	2,662	2,387,974
Other liabilities	167,112	18,456	4,580	3,551	9,721	2,548	1	205,969
Tax payable	1,847	7,821	7	-	1,445	62	-	11,182
Deferred tax liabilities	699	3,350	57	-	-	-	-	4,106
Borrowings	177,970	2,503	20,854	37,790	-	-	-	239,117
Subordinated notes	400,000	-	-	-	-	-	-	400,000
Total Liabilities	**7,697,448**	**654,691**	**145,554**	**304,838**	**150,311**	**38,021**	**26,337**	**9,017,200**
On-balance sheet open position	(498,174)	353,777	98,483	1,246,693	246,464	212,812	90,172	1,750,227
Off-balance sheet open position	47,335	(6,472)	312	(41,548)	-	-	373	-
Net open position	**(450,839)**	**347,305**	**98,795**	**1,205,145**	**246,464**	**212,812**	**90,545**	**1,750,227**

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 31 December 2010	Ringgit Malaysia 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	832,411	295,956	231,481	113,292	72,008	7,733	1,552,881
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 held-to-maturity	649,566	-	-	12,861	-	-	662,427
Securities available-for-sale	2,273,855	3,182	-	503,070	15,759	-	2,795,866
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	6,247	-	-	-	683	-	6,930
Trade receivables	771,366	857,626	91,849	86,816	230,935	3,910	2,042,502
Other assets	64,962	11,726	7,965	4,347	7,217	19	96,236
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	**6,599,076**	**1,422,400**	**407,367**	**1,089,669**	**441,602**	**28,588**	**9,988,702**

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 31 December 2010	Ringgit Malaysia 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
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	108,324	-	-	410,619
Subordinated notes	300,000	-	-	-	-	-	300,000
Total Liabilities	**6,534,236**	**1,046,753**	**293,755**	**196,000**	**223,431**	**1,076**	**8,295,251**
On-balance sheet open position	64,840	375,647	113,612	893,669	218,171	27,512	1,693,451
Off-balance sheet open position	357,681	(126,130)	156	(199,328)	345	(32,724)	-
Net open position	**422,521**	**249,517**	**113,768**	**694,341**	**218,516**	**(5,212)**	**1,693,451**

50. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Company **As at 31 December 2011**	**Ringgit Malaysia RM'000**	**Hong Kong Dollar RM'000**	**United States Dollar RM'000**	**Total RM'000**
ASSETS				
Cash and short term funds	2,546	-	-	2,546
Securities held-for-trading	169	-	25,160	25,329
Tax recoverable	3,879	-	-	3,879
Other assets	1,945	-	-	1,945
Investments in subsidiary companies	1,021,666	-	-	1,021,666
Equipment	1	-	-	1
Intangible assets	69	-	-	69
Total Assets	**1,030,275**	**-**	**25,160**	**1,055,435**
LIABILITIES				
Other liabilities	101,291	-	-	101,291
Deferred tax liabilities	4	-	-	4
Total Liabilities	**101,295**	**-**	**-**	**101,295**
On-balance sheet open position	928,980	-	25,160	954,140
Off-balance sheet open position	-	-	-	-
Net open position	**928,980**	**-**	**25,160**	**954,140**

Company **As at 31 December 2010**	**Ringgit Malaysia 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	63,030	1,931	462	65,423
Deferred tax liabilities	686	-	-	686
Borrowings	4,434	-	-	4,434
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**

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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:

	Group	
	2011 RM'000	2010 RM'000
United States Dollar strengthened by 10% against Ringgit Malaysia		
- Impact to profit after tax	97,586	42,943
- Impact to equity	12,263	13,564
United States Dollar weakened by 10% against Ringgit Malaysia		
- Impact to profit after tax	(97,586)	(42,943)
- Impact to equity	(12,263)	(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:

	Group	
	2011 RM'000	2010 RM'000
Singapore Dollar strengthened by 5% against Ringgit Malaysia		
- Impact to profit after tax	8,563	8,083
- Impact to equity including non-controlling interests	17,662	16,268
Singapore Dollar weakened by 5% against Ringgit Malaysia		
- Impact to profit after tax	(8,563)	(8,083)
- Impact to equity including non-controlling interests	(17,662)	(16,268)

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	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	No specific maturity	Total
As at 31 December 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS							
Cash and short term funds	2,355,901	11,528	14,198	12,494	5,000	-	2,399,121
Deposits and placements with a bank	-	50,000	-	-	-	-	50,000
Securities held-for-trading	-	972	983	38,275	65,165	207,945	313,340
Securities held-to-maturity	-	89,514	67,491	236,965	245,926	-	639,896
Securities available-for-sale	168,196	318,801	231,790	1,270,137	1,186,471	55,395	3,230,790
Derivative financial assets	324	131	4,995	2,951	-	-	8,401
Loans, advances and financing	456,929	111,556	686,675	281,804	103,543	-	1,640,507
Other assets	1,869,030	100	100	-	-	616,142	2,485,372
Total Assets	**4,850,380**	**582,602**	**1,006,232**	**1,842,626**	**1,606,105**	**879,482**	**10,767,427**
LIABILITIES							
Deposits from customers	2,866,916	685,679	1,109,726	47,832	-	-	4,710,153
Deposits and placements of banks and other financial institutions	271,768	333,187	53,794	-	-	-	658,749
Obligations on securities sold under repurchase agreements	291,083	-	-	-	-	-	291,083
Derivative financial liabilities	12,361	55,836	32,474	8,082	114	-	108,867
Borrowings	238,996	-	121	-	-	-	239,117
Subordinated notes	-	-	-	-	400,000	-	400,000
Other liabilities	2,593,943	-	11,182	-	-	4,106	2,609,231
Total Liabilities	**6,275,067**	**1,074,702**	**1,207,297**	**55,914**	**400,114**	**4,106**	**9,017,200**
Net Liquidity Gap	**(1,424,687)**	**(492,100)**	**(201,065)**	**1,786,712**	**1,205,991**	**875,376**	**1,750,227**

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50. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

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	No specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	1,496,220	51,888	4,773	-	-	-	1,552,881
Securities purchased under resale agreements	59,886	51,600	-	-	-	-	111,486
Securities held-for-trading	-	-	-	125,062	224,001	299,933	648,996
Securities held-to-maturity	60,000	59,789	108,634	306,795	127,209	-	662,427
Securities available-for-sale	315,068	245,107	387,851	1,449,709	368,694	29,437	2,795,866
Derivative financial assets	39,682	10,453	40,162	-	-	-	90,297
Loans, advances and financing	550,525	129,554	338,243	282,770	46,355	-	1,347,447
Others assets	2,215,246	-	100	-	-	563,956	2,779,302
Total Assets	**4,736,627**	**548,391**	**879,763**	**2,164,336**	**766,259**	**893,326**	**9,988,702**
LIABILITIES							
Deposits from customers	2,199,590	1,034,555	616,665	21,995	-	-	3,872,805
Deposits and placements of banks and other financial institutions	304,440	145,193	220,136	-	-	-	669,769
Derivative financial liabilities	8,297	30,025	111,427	-	-	-	149,749
Borrowings	333,792	4,435	72,392	-	-	-	410,619
Subordinated notes	-	-	-	-	300,000	-	300,000
Other liabilities	2,866,619	-	23,878	-	-	1,812	2,892,309
Total Liabilities	**5,712,738**	**1,214,208**	**1,044,498**	**21,995**	**300,000**	**1,812**	**8,295,251**
Net Liquidity Gap	**(976,111)**	**(665,817)**	**(164,735)**	**2,142,341**	**466,259**	**891,514**	**1,693,451**

50. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Company As at 31 December 2011	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	No specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	2,546	-	-	-	-	-	2,546
Securities held-for-trading	-	-	-	-	-	25,329	25,329
Other assets	5,824	-	-	-	-	1,021,736	1,027,560
Total Assets	**8,370**	**-**	**-**	**-**	**-**	**1,047,065**	**1,055,435**
LIABILITIES							
Other liabilities	101,291	-	-	-	-	4	101,295
Total Liabilities	**101,291**	**-**	**-**	**-**	**-**	**4**	**101,295**
Net Liquidity Gap	**(92,921)**	**-**	**-**	**-**	**-**	**1,047,061**	**954,140**

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	No specific maturity RM'000	Total RM'000
ASSETS							
Cash and short term funds	4,306	-	-	-	-	-	4,306
Securities held-for-trading	-	-	-	-	-	23,844	23,844
Other assets	13,514	-	-	-	-	1,021,133	1,034,647
Total Assets	**17,820**	**-**	**-**	**-**	**-**	**1,044,977**	**1,062,797**
LIABILITIES							
Borrowings	-	4,434	-	-	-	-	4,434
Other liabilities	65,423	-	-	-	-	686	66,109
Total Liabilities	**65,423**	**4,434**	**-**	**-**	**-**	**686**	**70,543**
Net Liquidity Gap	**(47,603)**	**(4,434)**	**-**	**-**	**-**	**1,044,291**	**992,254**

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50. FINANCIAL INSTRUMENTS (CONT'D)

(h) Market price risk

Sensitivity analysis for equity price risk

At the reporting date, if the FTSE Bursa Malaysia KLCI had been 5% (2010: 5%) higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM3,993,000 (2010: 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 RM253,000 (2010: 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 Straits Times Index in Singapore had been 5% (2010: 5%) higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM290,000 (2010: RM1,109,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Singapore, and the Group's available-for-sale reserve would have been approximately RM40,000 (2010: RM Nil) higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Singapore.

At the reporting date, if the Hang Seng Index in Hong Kong had been 5% (2010: 5%) higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM44,000 (2010: RM384,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Hong Kong.

At the reporting date, if the NYSE Composite Index in the United States of America had been 5% (2010: 5%) higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM407,000 (2010: 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, and the Group's available-for-sale reserve would have been approximately RM173,000 (2010: RM Nil) higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in United States of America.

51. COMMITMENTS AND CONTINGENCIES

The risk-weighted exposures of the Group are as follows:

	2011			2010		
	Principal amount	Credit equivalent* amount	Risk weighted amount	Principal amount	Credit equivalent* 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
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,699,221	-	-	1,352,610	-	-
- maturity exceeding one year	106,298	53,149	53,149	133,640	66,820	66,820
Foreign exchange related contracts:						
- less than one year	166,916	48,813	9,762	771,882	358,683	71,736
Interest rate related contracts:						
- one year to less than five years	1,966,290	84,936	16,987	885,973	79,270	15,854
	3,938,725	**186,898**	**79,898**	**3,168,836**	**517,138**	**166,775**

* 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 has adopted the Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk computation.

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB")

(a) STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Cash and short term funds	(f)	395,163	233,536
Securities held-to-maturity	(g)	292,950	300,988
Securities available-for-sale	(h)	631,105	351,631
Other assets	(i)	5,664	6,773
Equipment		18	18
Intangible assets		766	133
TOTAL ASSETS		**1,325,666**	**893,079**
LIABILITIES			
Deposits from customers	(j)	1,185,523	828,601
Deposits and placements of banks and other financial institutions	(k)	15,888	-
Other liabilities	(l)	5,831	3,890
Tax payable		4,405	2,578
Deferred tax liabilities		221	88
TOTAL LIABILITIES		**1,211,868**	**835,157**
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		100,000	50,000
Reserves		13,798	7,922
TOTAL ISLAMIC BANKING CAPITAL FUNDS		**113,798**	**57,922**
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		**1,325,666**	**893,079**
COMMITMENTS AND CONTINGENCIES		**-**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
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52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(b) INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	(m)	37,107	26,392
Transfer to profit equalisation reserve		(1,289)	(237)
Gross and total attributable income		35,818	26,155
Income attributable to depositors	(n)	(29,993)	(20,178)
Income attributable to OSKIB		5,825	5,977
Income derived from investment of Islamic banking funds		3,159	108
Total net income		8,984	6,085
Other operating expenses	(o)	(1,675)	(1,217)
Profit before tax expense and zakat		7,309	4,868
Income tax expense and zakat	(p)	(1,831)	(1,255)
Profit after tax expense and zakat		**5,478**	**3,613**

For amalgamation with the conventional operations, net income from Islamic banking operation comprises the following items :-

	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	37,107	26,392
Income attributable to depositors	(29,993)	(20,178)
Income derived from investment of Islamic banking funds	3,159	108
Transfer to profit equalisation reserve	(1,289)	(237)
Net income from Islamic banking operations reported in Group-wide income statement	**8,984**	**6,085**

(c) STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RM'000	2010 RM'000
Profit after tax expense and zakat	5,478	3,613
Other comprehensive income		
Unrealised net gain on revaluation of securities available-for-sale	531	75
Income tax relating to components of other comprehensive gain	(133)	(19)
Other comprehensive income for the year, net of tax and zakat	**398**	**56**
Total comprehensive income for the year, net of tax and zakat	**5,876**	**3,669**
Total comprehensive income attributable to owner of the OSKIB	**5,876**	**3,669**

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

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(d) STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 31 DECEMBER 2011

	Islamic banking fund	Available-for-sale reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2011	50,000	263	7,659	57,922
Total comprehensive income	-	398	5,478	5,876
Injection of funds	50,000	-	-	50,000
As at 31 December 2011	**100,000**	**661**	**13,137**	**113,798**
As at 1 January 2010	50,000	244	4,046	54,290
Adoption of FRS 139	-	(37)	-	(37)
As restated	50,000	207	4,046	54,253
Total comprehensive income	-	56	3,613	3,669
As at 31 December 2010	**50,000**	**263**	**7,659**	**57,922**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(e) STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax		7,309	4,868
Adjustment for:			
Depreciation and amortisation		62	21
Operating profit before working capital changes		7,371	4,889
(Increase)/decrease in operating assets:			
Securities available-for-sale		(278,943)	21,230
Securities held-to-maturity		8,038	(17,152)
Other assets		1,109	(3,777)
Increase in operating liabilities:			
Deposits from customers		356,922	52,778
Deposits and placements of banks and other financial institutions		15,887	-
Profit equalisation reserve		1,289	237
Other liabilities		653	688
Cash generated from operating activities		112,326	58,893
Zakat paid		(5)	(38)
Net cash generated from operating activities		112,321	58,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(4)	(3)
Purchase of intangible assets		(690)	(150)
Net cash used in investing activities		(694)	(153)
CASH FLOW FROM FINANCING ACTIVITY			
Injection of funds for Islamic banking, representing net cash generated from financing activity		50,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		161,627	58,702
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		233,536	174,834
CASH AND CASH EQUIVALENTS AT END OF YEAR	(f)	**395,163**	**233,536**

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

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

	2011 RM'000	2010 RM'000
(f) CASH AND SHORT TERM FUNDS		
Current account with Bank Negara Malaysia	25	36
Money at call and deposit placements maturity within one month:		
Licensed banks	315,138	220,500
Bank Negara Malaysia	80,000	13,000
	395,163	**233,536**

	2011 RM'000	2010 RM'000
(g) SECURITIES HELD-TO-MATURITY		
At amortised cost		
Money market instruments:		
Cagamas bonds	5,014	5,037
Malaysian Government Investment Issue	120,100	165,361
	125,114	170,398
Unquoted debt securities:		
Islamic private debt securities in Malaysia	167,836	130,590
	292,950	**300,988**

The maturity structure of above securities are as follows:

	2011 RM'000	2010 RM'000
Within one year	50,059	55,220
Two to five years	177,332	207,040
More than five years	65,559	38,728
	292,950	**300,988**

	2011 RM'000	2010 RM'000
(h) SECURITIES AVAILABLE-FOR-SALE		
At fair value		
Money market instruments:		
Islamic accepted bills	139,027	64,526
Malaysian Government Investment Issue	89,462	25,324
Negotiable instruments of deposit	129,520	49,926
	358,009	139,776
Unquoted debt securities:		
Islamic private debt securities in Malaysia	273,096	211,855
	631,105	**351,631**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

	2011 RM'000	2010 RM'000
(i) OTHER ASSETS		
Income receivable	**5,664**	**6,773**
(j) DEPOSITS FROM CUSTOMERS		
Mudharabah Fund		
General investment deposits	**1,185,523**	**828,601**
(i) By type of customer		
Government and statutory bodies	521,802	442,798
Domestic non-bank financial institutions *	444,053	281,891
Business enterprises	219,668	103,912
	1,185,523	**828,601**
(ii) By maturity structure		
Up to 3 months	771,659	726,326
3-12 months	194,626	102,275
1-5 years	219,238	-
	1,185,523	**828,601**

* Domestic non-bank financial institutions include unit trust companies, trust funds and insurance companies.

(k) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2011 RM'000	2010 RM'000
Mudharabah Fund		
Licensed bank	**15,888**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

(l) OTHER LIABILITIES

	2011 RM'000	2010 RM'000
Income payable	3,529	2,798
Profit equalisation reserve #	2,285	996
Other payable	17	96
	5,831	**3,890**

# Profit equalisation reserve	2011 RM'000	2010 RM'000
At beginning of year	996	759
Provided	1,289	237
At end of year	**2,285**	**996**

(m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2011 RM'000	2010 RM'000
Income from general investment deposits	**37,107**	**26,392**

Analysed as:

	2011 RM'000	2010 RM'000
Finance income and hibah		
Securities held-to-maturity	13,061	10,365
Securities available-for-sale	14,215	5,058
Deposit with financial institutions	6,830	4,636
(Amortisation of premium)/accretion of discount		
- Securities held-to-maturity	(498)	311
- Securities available-for-sale	3,499	6,022
	3,001	6,333
	37,107	**26,392**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

52. OPERATIONS OF ISLAMIC BANKING OF OSK INVESTMENT BANK BERHAD ("OSKIB") (CONT'D)

	2011 RM'000	2010 RM'000
(n) INCOME ATTRIBUTABLE TO DEPOSITORS		
Deposits from customers and financial institutions - Mudharabah Fund	**29,993**	**20,178**
(o) OTHER OPERATING EXPENSES		
(i) Personnel costs		
Salaries, wages, allowances and bonus	882	775
Pension costs - defined contribution plan	123	93
Other staff related expenses	31	17
	1,036	**885**
(ii) Establishment costs		
Depreciation and amortisation	62	21
Rental	28	23
Insurance	10	(6)
Repairs and maintenance	3	1
Utility expenses	2	1
Others	3	-
	108	**40**
(iii) Marketing and trading expenses		
Advertisement and promotions	3	-
Fees and charges	45	36
Travelling expenses	16	10
Subscriptions	52	42
	116	**88**
(iv) Administration and general expenses		
Communication expenses	7	4
Printing and stationery	4	4
Administrative	404	196
	415	**204**
Total other operating expenses	**1,675**	**1,217**
Included in other operating expenses are:-		
Shariah committee members' fees and remuneration	**215**	**159**
(p) INCOME TAX EXPENSE AND ZAKAT		
Current year income tax expense	(1,826)	(1,217)
Zakat	(5)	(38)
	(1,831)	**(1,255)**

53. RECLASSIFICATION OF SECURITIES

During the prior financial years, OSKIB, a wholly-owned subsidiary company, had 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 were introduced after taking into account the exceptional circumstances in the global financial markets and the changes to the international accounting standards in response to that development. The provisions in the Circular overrode the then existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the held-for-trading category and were 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.

OSKIB 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:

		2011 RM'000	2010 RM'000
(i)	Securities AFS reclassified to securities HTM		
	- Carrying value	73,899	126,256
	- Fair value	108,868	119,881
(ii)	Securities HFT reclassified to securities AFS		
	- Carrying value	41,840	42,312
	- Fair value	41,840	42,312

(c) Fair value (loss)/gain recognised

	2011 RM'000	2010 RM'000
Income Statements		
Impairment losses on securities HTM	(33,863)	(6,844)
Statements of Other Comprehensive Income		
AFS reserve	257	803

NOTES TO THE FINANCIAL STATEMENTS
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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 shareholders' 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 2011 and 31 December 2010.

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), OSK Indochina Bank Limited ("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-to-day operations. In addition, as disclosed in Note 55(a)(ii), OSKIBL is also required to maintain a minimum regulatory solvency ratio, which is the ratio of its net worth to its 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 2011 and 31 December 2010.

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Borrowings	26	239,117	410,619	-	4,434
Subordinated notes	27	400,000	300,000	-	-
Total debts		**639,117**	**710,619**	**-**	**4,434**
Equity attributable to the owners of the Company		1,449,039	1,448,710	954,140	992,254
Total capital		**1,449,039**	**1,448,710**	**954,140**	**992,254**
Capital and debts		**2,088,156**	**2,159,329**	**954,140**	**996,688**

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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 ("RWCAF") (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 48) which involved in securities or stock-broking 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 stock broking 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, OSK Indochina Bank Limited ("OSKIBL") 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 ^	
	2011	**2010**	**2011**	**2010**
Before deducting proposed dividends:				
Core capital ratio	25.07%	27.12%	19.12%	24.58%
Risk weighted capital ratio	33.36%	34.22%	19.12%	24.58%
After deducting proposed dividends:				
Core capital ratio	25.07%	27.12%	19.12%	24.58%
Risk weighted capital ratio	33.36%	34.22%	19.12%	24.58%

^ 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 Group ensures that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in risk weighted capital ratio.

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55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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: (Cont'd)

	OSKIB Group		OSKIB	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Issued and fully paid share capital	660,000	660,000	660,000	660,000
Retained profits	162,421	155,771	64,441	54,046
Statutory reserves	239,537	228,992	239,387	228,992
Tier 1 non-controlling interests	304,125	245,759	-	-
	1,366,083	1,290,522	963,828	943,038
Less: Goodwill	(94,283)	(92,889)	(46,516)	(46,516)
Deferred tax assets	(11,957)	(481)	(10,330)	-
Tier I capital	**1,259,843**	**1,197,152**	**906,982**	**896,522**
Loans, advances and financing				
- Collective impairment	16,970	13,138	15,144	12,315
Maximum allowance subordinated debt capital	400,000	300,000	400,000	300,000
Tier II capital	**416,970**	**313,138**	**415,144**	**312,315**
Total capital	1,676,813	1,510,290	1,322,126	1,208,837
Less: Investments in subsidiary companies	-	-	(701,801)	(455,488)
Capital base	**1,676,813**	**1,510,290**	**620,325**	**753,349**

The capital adequacy ratios of OSKIB Group consist of capital base and RWA derived from consolidated balances of OSKIB and its subsidiary companies. The capital adequacy ratios of OSKIB consist of capital base and RWA derived from OSKIB.

The capital adequacy ratios of OSKIB Group and OSKIB are computed in accordance with RWCAF-Basel II. OSKIB Group and OSKIB have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk weighted capital ratio.

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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	
	2011	**2010**
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	46.49%	93.30%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	46.49%	93.30%

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. This ratio is 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	
	2011	**2010**
Before deducting proposed dividends:		
Core capital ratio	64.40%	60.30%
Risk weighted capital ratio	64.40%	60.30%
After deducting proposed dividends:		
Core capital ratio	64.40%	60.30%
Risk weighted capital ratio	64.40%	60.30%

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
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk

2011

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			1,577,135	1,577,135	-	-
Banks, development financial institutions and multilateral development banks			3,990,014	3,990,014	974,888	77,991
Insurance companies, securities firms and fund managers			100,246	100,246	20,049	1,604
Corporates			2,355,096	1,777,754	1,271,829	101,746
Other assets			557,236	557,236	557,236	44,579
Total on-balance sheet exposures			8,579,727	8,002,385	2,824,002	225,920
Off-Balance Sheet Exposures:						
Over-the-counter ("OTC") derivatives			978	978	204	16
Credit derivatives			-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives			189,730	189,730	82,730	6,618
Defaulted exposures			-	-	-	-
Total off-balance sheet exposures			190,708	190,708	82,934	6,634
Total on and off-balance sheet exposures			8,770,435	8,193,093	2,906,936	232,554
(ii) Large exposures risk requirement			-	-	-	-
(iii) Market risk	**Long Position RM'000**	**Short Position RM'000**				
Interest rate risk	1,221,139	1,119,432			126,345	10,108
Foreign currency risk	887,721	-			887,720	71,018
Equity risk	22,147	-			34,185	2,735
Option risk	-	-			50	4
Total	2,131,007	1,119,432			1,048,300	83,865
(iv) Operational risk					1,070,911	85,673
(v) Total RWA and capital requirements					**5,026,147**	**402,092**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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 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	71,389	71,389	14,277	1,142
Corporates	2,323,432	1,691,154	1,024,397	81,951
Other assets	280,898	280,898	280,898	22,472
Total on-balance sheet exposures	6,597,803	5,965,525	1,985,510	158,840
Off-Balance Sheet Exposures:				
Over-the-counter ("OTC") derivatives	44,448	44,448	11,329	907
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	519,069	519,069	168,707	13,497
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	563,517	563,517	180,036	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
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)

2011

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	1,509,776	1,509,776	-	-
Banks, development financial institutions and multilateral development banks	3,163,256	3,163,256	811,437	64,915
Insurance companies, securities firms and fund managers	100,246	100,246	20,049	1,604
Corporates	1,929,858	1,612,813	1,107,198	88,576
Other assets	473,820	473,820	473,820	37,906
Total on-balance sheet exposures	7,176,956	6,859,911	2,412,504	193,001
Off-Balance Sheet Exposures:				
Over-the-counter ("OTC") derivatives	978	978	204	16
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	177,162	177,162	70,162	5,613
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	178,140	178,140	70,366	5,629
Total on and off-balance sheet exposures	7,355,096	7,038,051	2,482,870	198,630
(ii) Large exposures risk requirement	-	-	-	-
(iii) Market risk	**Long Position RM'000**	**Short Position RM'000**		
Interest rate risk	1,199,671	1,119,432	115,255	9,220
Foreign currency risk	64,252	-	64,253	5,140
Equity risk	5,943	-	14,391	1,151
Option risk	-	-	50	4
Total	1,269,866	1,119,432	193,949	15,515
(iv) Operational risk			568,402	45,472
(v) Total RWA and capital requirements			**3,245,221**	**259,617**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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	2,043,038	2,043,038	545,686	43,655
Insurance companies, securities firms and fund managers	71,389	71,389	14,277	1,142
Corporates	2,006,283	1,606,119	939,363	75,149
Other assets	229,360	229,360	229,360	18,349
Total on-balance sheet exposures	5,555,603	5,155,439	1,728,686	138,295
Off-Balance Sheet Exposures:				
Over-the-counter ("OTC") derivatives	44,448	44,448	11,329	907
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	513,265	513,265	162,902	13,032
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	557,713	557,713	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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights

2011

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%	1,577,135	9,577	-	-	-	1,586,712	-
20%	-	3,518,455	100,925	623,550	-	4,242,930	848,586
35%	-	-	-	-	-	-	-
50%	-	596,028	-	59,275	-	655,303	327,650
75%	-	-	-	-	-	-	-
100%	-	-	-	1,105,809	557,236	1,663,045	1,663,045
150%	-	-	-	45,103	-	45,103	67,655
Total	**1,577,135**	**4,124,060**	**100,925**	**1,833,737**	**557,236**	**8,193,093**	**2,906,936**
Risk weighted assets by exposures	**-**	**1,001,705**	**20,185**	**1,327,810**	**557,236**	**2,906,936**	
Average risk weight	**0%**	**24%**	**20%**	**72%**	**100%**	**35%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2010

OSKIB Group

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%	1,271,766	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	-	753,742	280,898	1,095,490	1,095,490
150%	-	-	-	83,529	-	83,529	125,294
Total	**1,271,766**	**3,088,357**	**115,751**	**1,772,270**	**280,898**	**6,529,042**	**2,165,546**
Risk weighted assets by exposures	**-**	**753,545**	**25,590**	**1,105,513**	**280,898**	**2,165,546**	
Average risk weight	**0%**	**24%**	**22%**	**62%**	**100%**	**33%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2011

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%	1,509,776	73	-	-	-	1,509,849	-
20%	-	2,701,201	100,925	623,545	-	3,425,671	685,134
35%	-	-	-	-	-	-	-
50%	-	596,028	-	58,669	-	654,697	327,349
75%	-	-	-	-	-	-	-
100%	-	-	-	928,911	473,820	1,402,731	1,402,731
150%	-	-	-	45,103	-	45,103	67,656
Total	**1,509,776**	**3,297,302**	**100,925**	**1,656,228**	**473,820**	**7,038,051**	**2,482,870**
Risk weighted assets by exposures	**-**	**838,254**	**20,185**	**1,150,611**	**473,820**	**2,482,870**	
Average risk weight	**0%**	**25%**	**20%**	**69%**	**100%**	**35%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(c) Credit risk exposures by risk weights (Cont'd)

2010

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%	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	-	662,903	229,360	953,113	953,113
150%	-	-	-	83,529	-	83,529	125,294
Total	**1,205,533**	**2,481,077**	**115,751**	**1,681,431**	**229,360**	**5,713,152**	**1,902,917**
Risk weighted assets by exposures	**-**	**633,293**	**25,590**	**1,014,674**	**229,360**	**1,902,917**	
Average risk weight	**0%**	**26%**	**22%**	**60%**	**100%**	**33%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(d) Rated exposures

2011
OSKIB Group

	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)	1,577,135	-	4,124,060	1,001,705	100,925	20,185	682,825	154,347	-	-	6,484,946	1,176,237
Non Rated or Non Investment Grade	-	-	-	-	-	-	1,150,912	1,173,463	557,236	557,236	1,708,147	1,730,699
Total	**1,577,135**	**-**	**4,124,060**	**1,001,705**	**100,925**	**20,185**	**1,833,737**	**1,327,810**	**557,236**	**557,236**	**8,193,093**	**2,906,936**

2010
OSKIB Group

	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)	1,271,766	-	3,027,507	692,695	115,751	25,590	934,999	226,477	-	-	5,350,023	944,762
Non Rated or Non Investment Grade	-	-	60,850	60,850	-	-	837,271	879,036	280,898	280,898	1,179,019	1,220,784
Total	**1,271,766**	**-**	**3,088,357**	**753,545**	**115,751**	**25,590**	**1,772,270**	**1,105,513**	**280,898**	**280,898**	**6,529,042**	**2,165,546**

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(d) Rated exposures (Cont'd)

2011
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)	1,509,776	-	3,297,302	838,254	100,925	20,185	682,214	154,044	-	-	5,590,215	1,012,483
Non Rated or Non Investment Grade	-	-	-	-	-	-	974,014	996,567	473,820	473,820	1,447,836	1,470,387
Total	**1,509,776**	**-**	**3,297,302**	**838,254**	**100,925**	**20,185**	**1,656,228**	**1,150,611**	**473,820**	**473,820**	**7,038,051**	**2,482,870**

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 or Non Investment Grade	-	-	60,850	60,850	-	-	746,432	788,197	229,360	229,360	1,036,642	1,078,407
Total	**1,205,533**	**-**	**2,481,077**	**633,293**	**115,751**	**25,590**	**1,681,431**	**1,014,674**	**229,360**	**229,360**	**5,713,152**	**1,902,917**

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk

2011

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	-		-	-
Foreign exchange related contracts				
One year or less	166,916	324	48,813	9,762
Interest/profit rate related contracts				
Over one year to five years	1,966,290	7,946	84,936	16,987
Equity related contracts				
One year or less	2,832	-	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	106,298		53,149	53,149
Any commitments that are cancelled at any time by OSKIB Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,699,221		-	-
Total	**3,960,859**	**8,401**	**190,708**	**82,934**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)

2010

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	24,731		12,365	12,365
Foreign exchange related contracts				
One year or less	771,882	2,127	358,682	71,736
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	11	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 cancelled at any time by OSKIB Group 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**	**90,297**	**563,517**	**180,036**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)

2011

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	-		-	-
Foreign exchange related contracts				
One year or less	166,916	324	48,813	9,762
Interest/profit rate related contracts				
Over one year to five years	1,966,290	7,946	84,936	16,987
Equity related contracts				
One year or less	2,832	-	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	81,168		40,581	40,581
Any commitments that are cancelled at any time by OSKIB without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	454,667		-	-
Total	**2,691,175**	**8,401**	**178,140**	**70,366**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT 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	358,683	71,736
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		61,015	61,015
Any commitments that are cancelled at any time by OSKIB 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**	**557,713**	**174,231**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

55. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY (CONT'D)

(f) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	OSKIB Group		OSKIB	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest rate risk				
- General interest rate risk	9,374	12,606	8,837	12,606
- Specific interest rate risk	734	16,356	383	16,356
	10,108	28,962	9,220	28,962
Equity position risk				
- General risk	629	6,339	475	589
- Specific risk	2,106	10,805	676	808
	2,735	17,144	1,151	1,397
Foreign exchange risk	71,018	53,450	5,140	16,239
Option risk	4	2,725	4	2,725
	83,865	**102,281**	**15,515**	**49,323**

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 ("RWCAF")(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:

	2011	2010
Before deducting proposed dividends:		
Core capital ratio	54.82%	40.02%
Risk weighted capital ratio	54.82%	40.02%
After deducting proposed dividends:		
Core capital ratio	54.82%	40.02%
Risk weighted capital ratio	54.82%	40.02%

	2011 RM'000	2010 RM'000
Islamic banking funds	100,000	50,000
Retained profits	13,137	7,659
	113,137	**57,659**

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% (2010: 8.0%) for the risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

2011

Islamic banking operations of 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	398,785	398,785	-	-
Banks, development financial institutions and multilateral development banks	614,069	614,069	125,824	10,066
Corporates	313,300	313,300	67,536	5,403
Other assets	149	149	149	12
Total on-balance sheet exposures	1,326,303	1,326,303	193,509	15,481
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	1,326,303	1,326,303	193,509	15,481
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			12,878	1,030
(e) Total RWA and capital requirements			**206,387**	**16,511**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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)

2010

Islamic banking operations of 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 have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iii) Credit risk exposures by risk weights

2011

Islamic banking operations of 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%	398,785	-	-	-	-	398,785	-
20%	-	604,035	-	307,205	-	911,240	182,249
35%	-	-	-	-	-	-	-
50%	-	10,034	-	-	-	10,034	5,016
75%	-	-	-	-	-	-	-
100%	-	-	-	6,095	149	6,244	6,244
150%	-	-	-	-	-	-	-
Total	**398,785**	**614,069**	**-**	**313,300**	**149**	**1,326,303**	**193,509**
Risk weighted assets by exposures	**-**	**125,824**	**-**	**67,536**	**149**	**193,509**	
Average risk weight	**0%**	**20%**	**0%**	**22%**	**100%**	**15%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iii) Credit risk exposures by risk weights (Cont'd)

2010

Islamic banking operations of 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 exposures	**-**	**75,054**	**-**	**59,862**	**1,019**	**135,935**	
Average risk weight	**0%**	**21%**	**0%**	**22%**	**100%**	**15%**	
Deduction from capital base	**-**	**-**	**-**	**-**	**-**	**-**	

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(iv) Rated exposures

2011

Islamic banking operation of 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)	398,785	-	614,069	125,824	-	-	307,205	61,441	-	-	1,320,059	187,265
Non Rated or Non Investment Grade	-	-	-	-	-	-	6,095	6,095	149	149	6,244	6,244
Total	**398,785**	**-**	**614,069**	**125,824**	**-**	**-**	**313,300**	**67,536**	**149**	**149**	**1,326,303**	**193,509**

2010

Islamic banking operation of 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)	256,405	-	360,179	75,054	-	-	269,721	53,944	-	-	886,305	128,998
Non Rated or 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 ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

56. CAPITAL ADEQUACY - ISLAMIC BANKING OF OSKIB (CONT'D)

(v) Off-balance sheet exposures and counterparty credit risk

As at 31 December 2011, the Islamic banking operations of OSKIB does 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

	2011 RM'000	2010 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	-	-

57. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company 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
	2011	**2010**
	RM'000	**RM'000**
Total retained profits of the Company and its subsidiary companies		
- Realised	204,087	250,438
- Unrealised	179,349	116,018
	383,436	366,456
Total share of retained profits from associated companies		
- Realised	11,432	11,195
- Unrealised	-	-
	394,868	377,651
Less : consolidation adjustments	(96,197)	(69,047)
	298,671	**308,604**

		Company
	2011	**2010**
	RM'000	**RM'000**
Total retained profits of the Company		
- Realised	23,979	56,999
- Unrealised	(4,776)	2,050
	19,203	**59,049**

LIST OF PROPERTIES
31 DECEMBER 2011

	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	27 years	93,435
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	16 years	631
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	17 years	7,350
4	No. 55, 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	8 years	3,569
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	14 years	220
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	25 years	630
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	32 years	2,355
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	-	149,000
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	-	325

LIST OF PROPERTIES
31 DECEMBER 2011

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISI-TION	EXISTING USE	APPROXI-MATE AGE OF BUILDING	NET BOOK VALUE RM'000
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 con-struction	53 years	1,526
12	No 62 & 64, Vista Magna, Jalan Prima, Metro Prima, 52100 Kuala Lumpur	Shop offices known as Lot No. G59 & G61 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	8 years	3,710
13	No. 3, Jalan Susur Utama 2/1, Taman Utama, 85000 Segamat, Johor Darul Takzim	4 storey shops held under 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	7 years	674
14	B32 & B34, Lorong Tun Ismail 8, Seri Dagangan II, 25000 Kuantan, Pahang	3 storey shop offices held known as Lot 106 (10177) PT 32834 HS(D) 10883 & Lot 107 (10178) PT 32833 HS(D) 10882 Sek 20. Bandar Kuatan, Daerah Kuantan, Negeri Pahang	Freehold	260 square metres	3 May 2007	Office	5 years	2,050
15	119, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	3 storey shop office held under H.S.(D): 372305 PTD No: 67727 Mukim Pulai, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	4 years	957
16	121, Jalan Sutera Tanjung 8/2, Taman Sutera Utama, 81300 Skudai, Johor Bahru, Johor Darul Takzim	3 storey shop office held under H.S.(D) 372306 PTD No: 67728, Mukim Pulai, District of Johor Bahru, Johor Darul Takzim	Freehold	201 square metres	28 August 2007	Office	4 years	957
17	No. 21, Jalan Molek 1/30, Taman Molek, 81100 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	3 years	1,473
18	No. 23, Jalan Molek 1/30, Taman Molek, 81100 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	3 years	970
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	6 years	1,734

STATEMENT OF DIRECTORS' INTERESTS
AS AT 20 FEBRUARY 2012

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	16,388,100	1.74	-	-
2. Ong Leong Huat @ Wong Joo Hwa	285,951,158	30.41	*16,758,919	1.78
3. Wong Chong Kim	1,844,158	0.20	**931,117	0.10

Notes:-

* Deemed interested by virtue of his substantial shareholding in Land Management Sdn. Bhd. and 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 @ Wong Joo Hwa	1,875,000	n.a.	-	-
2. Wong Chong Kim	562,500	n.a.	-	-

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.

Other than the above, none of the other Directors in office has any interest in the shares, warrants, debentures and options of the Company and its related corporations as at 20 February 2012.

STATEMENT OF SHAREHOLDINGS
AS AT 20 FEBRUARY 2012

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM940,214,935 (excluding the treasury shares 24,153,412)
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	2,555	8.79	101,676	0.01
100 — 1,000	1,866	6.42	1,085,535	0.11
1,001 — 10,000	18,389	63.30	75,537,002	8.03
10,001 — 100,000	5,646	19.44	157,138,470	16.73
100,001 — 47,010,745*	596	2.05	428,401,094	45.56
47,010,746 and above **	2	0.00	277,951,158	29.56
	29,054	**100.00**	**940,214,935**	**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 @ Wong Joo Hwa	285,951,158	30.41	*179,931	0.02

Remarks:

* Deemed interested by virtue of his substantial shareholding in Land Management Sdn. Bhd.

THIRTY LARGEST REGISTERED HOLDERS

Name and Address	No. of Shares	%
1. Ong Leong Huat @ Wong Joo Hwa	177,951,158	18.93
2. UOBM Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Ong Leong Huat @ Wong Joo Hwa	100,000,000	10.64
3. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	16,388,100	1.74
4. Citigroup Nominees (Asing) Sdn. Bhd. JP Morgan CLR Corp for Third Avenue Global Value Fund LP	15,210,300	1.62
5. Lee Sui Hee	12,500,000	1.33
6. PJ Equity Sdn. Bhd.	11,051,746	1.18
7. Wong Chong Ngin	10,556,000	1.12
8. Koperasi Permodalan Felda Malaysia Berhad	9,325,500	0.99

STATEMENT OF SHAREHOLDINGS
AS AT 20 FEBRUARY 2012

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

	Name and Address	No. of Shares	%
9.	Khor Chai Moi	9,103,993	0.97
10.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Saudi Arabian Monetary Agency	8,661,700	0.92
11.	Pengerang Jaya Pte Ltd	8,381,811	0.89
12.	HSBC Nominees (Tempatan) Sdn. Bhd. AA Noms SG for Ong Leong Huat @ Wong Joo Hwa	8,000,000	0.85
13.	Amsec Nominees (Tempatan) Sdn. Bhd. Ambank (M) Berhad (Hedging)	7,628,500	0.81
14.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	6,896,947	0.73
15.	Nora Ee Siong Chee	6,625,000	0.70
16.	HSBC Nominees (Asing) Sdn. Bhd. Morgan Stanley & Co. International PLC (Firm A/C)	6,288,120	0.67
17.	Chin Cheng Mei	6,154,147	0.65
18.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YC Ltd	5,898,613	0.63
19.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YM Ltd	5,807,068	0.62
20.	Tan Swee Kwong	5,589,000	0.59
21.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JY Ltd	5,198,373	0.55
22.	Citigroup Nominess (Asing) Sdn. Bhd. GSCO for Truffle Hound Global Value LLC	5,000,000	0.53
23.	Dato' Nik Mohamed Bin Nik Yahya	4,826,013	0.51
24.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JX Ltd	4,815,038	0.51
25.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Morgan Stanley & Co. LLC (Client)	4,746,500	0.50
26.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YS Ltd	4,634,041	0.49
27.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for the Bank of New York Mellon (Mellon Acct)	4,207,800	0.45
28.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	4,193,721	0.45
29.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-ASING)	3,732,500	0.40
30.	Mary Ang Poh Chan	3,701,943	0.39

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-Second Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 10 April 2012 at 10:00 a.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 2011 and the Reports of Directors and Auditors thereon.			
		Resolution	**FOR**	**AGAINST**
2.	To sanction the declaration of a final dividend of 2.0 sen per share less income tax of 25% in respect of the financial year ended 31 December 2011.	1		
3.	To approve the distribution of one (1) treasury share for every forty (40) existing ordinary shares of RM1.00 each held in the Company, fraction of a treasury share to be disregarded, in respect of the financial year ended 31 December 2011.	2		
4.	To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2011.	3		
5.	(a) To re-elect Dr. Ngo Get Ping as Director pursuant to Article 102(1) of the Company's Articles of Association.	4		
	(b) To re-elect Mr. Wong Chong Kim as Director pursuant to Article 102(1) of the Company's Articles of Association.	5		
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.	6		
Special Business				
7.	Authority to Issue Shares	7		
8.	Proposed Shareholders' Mandate	8		
9.	Proposed Renewal of Authority to Purchase Own Shares	9		
10.	Proposed Amendments to Articles of Association	10		

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 ____________________ 2012

____
*Signature/Common Seal of Shareholder
* Delete if not applicable

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 4 April 2012 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. 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. Notwithstanding this, a member entitled to attend and vote at the Meeting is entitled to appoint any person as his proxy to attend and vote instead of the member at the Meeting. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. 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.
4. 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.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. 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.

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