OSK Holdings

ANNUAL REPORT 2012

CONTENTS

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting ("AGM") of the Company will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 10 April 2013 at 2.30 p.m. to transact the following business:-

AGENDA

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2012 and the Reports of Directors and Auditors thereon. **(Please refer to Explanatory Note (i))**

2. To sanction the declaration of a final dividend of 2.5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2012. **Ordinary Resolution 1**

3. To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2012. **Ordinary Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offer themselves for re-election:

   (a) Tan Sri Ong Leong Huat @ Wong Joo Hwa **Ordinary Resolution 3**

   (b) Dato' Abdul Majit Bin Ahmad Khan **Ordinary Resolution 4**

5. To re-appoint Dato' Nik Mohamed Din Bin Datuk Nik Yusoff who retires pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Company. **Ordinary Resolution 5**

6. To appoint Messrs. PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked 'Annexure A' had been received by the Company for the nomination of Messrs. PricewaterhouseCoopers for appointment as Auditors of the Company and the intention to propose the following ordinary resolution:-

   "THAT subject to their consent to act, Messrs. PricewaterhouseCoopers be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary 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 FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF 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 of the Circular to Shareholders dated 19 March 2013, 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, 1965 ("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 Renewal of Shareholders' Mandate."

9. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")** **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 approximately RM1.35 billion for the financial year ended 31 December 2012 at the time of the purchase(s) to 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."

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Notice is hereby given that the final dividend of 2.5 sen per ordinary share less 25% income tax for the year ended 31 December 2012, if approved by the shareholders at the Twenty-Third Annual General Meeting, will be payable on 15 May 2013 to shareholders whose names appear in the Register of Members and Record of Depositors on 25 April 2013.

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 2013 (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 2013 in respect of ordinary transfers; and

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

By Order of the Board

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

Kuala Lumpur
19 March 2013

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 2013 ("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. Provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. 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 office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

7. Mr. Wong Chong Kim has expressed his intention to retire at the conclusion of the Twenty-Third AGM. Hence, he will retain office until the close of the Twenty-Third AGM.

8. 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, will 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 Renewal of 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 2013 for further information.

   (iv) Ordinary Resolution 9 – Proposed Renewal of Share Buy-Back Authority

   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 retained profit of the Company.

   Please refer to the Share Buy-Back Statement dated 19 March 2013 for further information.

'Annexure A'

Tan Sri Ong Leong Huat @ Wong Joo Hwa
No. 21, Persiaran Basong
Damansara Heights
50490 Kuala Lumpur

Date: 26 February 2013

The Board of Directors
OSK HOLDINGS BERHAD
9th Floor, Plaza OSK,
50450 Jalan Ampang,
Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being the registered shareholder of OSK Holdings Berhad ("**the Company**"), hereby nominate, Messrs. PricewaterhouseCoopers, for appointment as new Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young at the forthcoming Annual General Meeting of the Company, pursuant to Section 172(11) of the Companies Act, 1965.

Therefore, I propose that the following resolution be considered at the forthcoming Annual General Meeting of the Company:-

"That subject to their consent to act, Messrs. PricewaterhouseCoopers *be and are hereby appointed as the Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be agreed between the Directors and the Auditors."*

Yours faithfully,

Tan Sri Ong Leong Huat @ Wong Joo Hwa

FIVE-YEAR GROUP FINANCIAL SUMMARY

(RM'000)	2012	2011	2010	2009 [3]	2008 [3]
FINANCIAL RESULTS					
Revenue	907,089 [1]	1,051,384 [1]	1,012,205	820,368	812,165
Profit Before Tax	987,654 [1]	95,015 [1]	207,802	191,022	168,187
Profit Attributable To Owners Of The Company	944,925 [1]	52,751 [1]	127,624	112,629	134,774
KEY FINANCIAL POSITION DATA					
Total Assets	2,626,264	9,707,503	9,102,847	9,887,117	6,138,675
Total Liabilities	181,147	7,945,929	7,399,385	8,375,430	4,459,291
Net Assets Attributable To Owners Of The Company (Shareholders' Funds)	2,445,117	1,460,386	1,458,721	1,287,140	1,380,401
Total number Of Outstanding Ordinary Shares In Issue	968,423	939,992	938,060	654,516	648,922
SHARE INFORMATION					
Basic Earnings Per Share (sen)	98.74 [1]	5.62 [1]	13.87	13.88 [4]	16.62 [4]
Gross Dividends Per Share (sen) declared / proposed	10.00	Note [2]	7.50	7.50	7.50
Net Assets Per Share Attributable To Owners Of The Company (RM)	2.52	1.55	1.56	1.97	2.13
Closing Price At End Of The Year (RM)	1.44	1.78	1.97	1.71	0.99

Notes

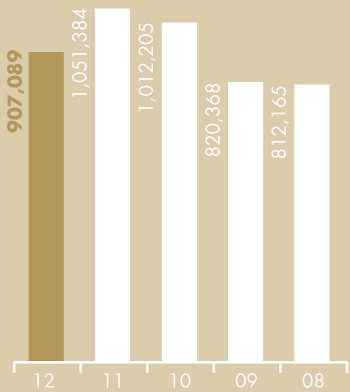
1 For comparison to prior years, these figures included both Continuing Operation and Discontinued Operations as described per MFRS 5: Non-Current Assets Held for Sale and Discontinued Operations ("MFRS 5").

2 Dividend of 4.5 sen less 25% income tax and one (1) treasury share for every forty (40) ordinary shares held.

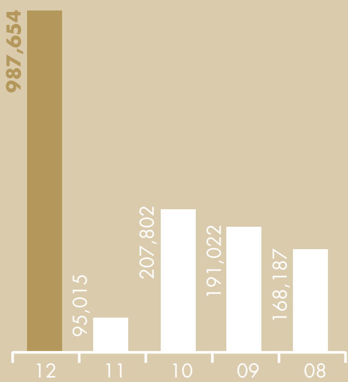
3 The financial figures for financial year 2008 and 2009 had not been restated in accordance with the BNM's Revised Guidelines for Classification and Impairment Provisions for Loans/Financing ("Revised BNM/GP3"), MFRS 139: Financial Instruments - Recognition and Measurement ("MFRS 139") and Financial Reporting Standards Implementataion Committee Consensus 18: Monies Held in Trust By Participating Organisations of Bursa Malaysia Securities Berhad ("FRSIC Consensus 18").

4 For comparison, the weighted average number of ordinary shares in issue for the financial year 2008 and 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 these financial years.

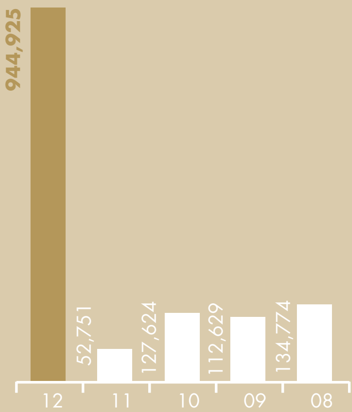
FIVE-YEAR GROUP FINANCIAL SUMMARY



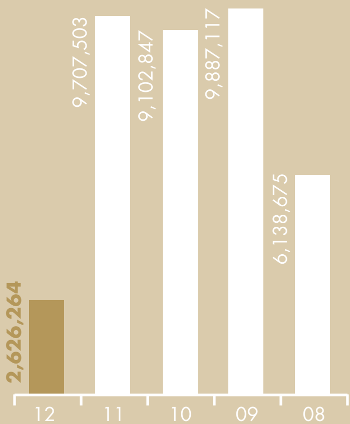
Revenue
(RM'000)



Profit Before Tax
(RM'000)

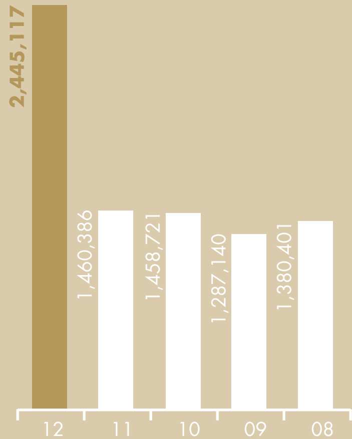


Profit Attributable To Owners
Of The Company (RM'000)

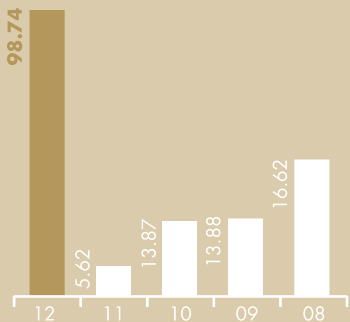


Total Assets
(RM'000)

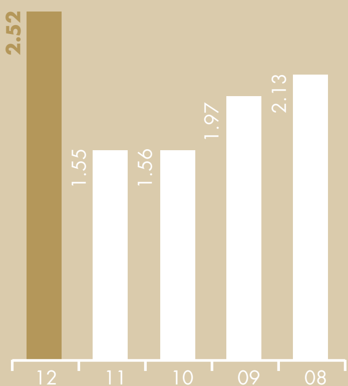
Total Liabilities
(RM'000)



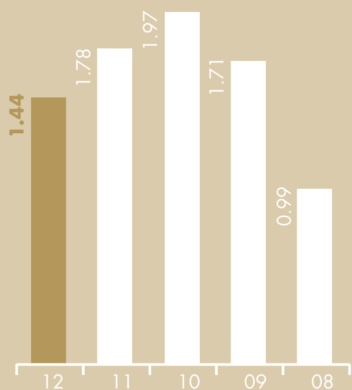
Net Assets Attributable To Owners Of
The Company (Shareholders' Funds)
(RM'000)



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*
Tan Sri Ong Leong Huat @ Wong Joo Hwa	- *Chief Executive Officer / Group Managing 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

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

REMUNERATION COMMITTEE

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

ESOS COMMITTEE
(Dissolved on 28 February 2013)

Dato' Abdul Majit bin Ahmad Khan – *Chairman*
Wong Chong Kim

MANAGEMENT TEAM

Lee Choon Meng – *Financial Controller / Head of Finance*
Chow Hock Kin – *Director, Capital Financing*
Loh Joo Soon – *Senior Vice President, Building Management*

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
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

SOLICITORS

Cheang & Ariff

REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel. No. : (603) 2084 9000
Fax No. : (603) 2094 9940

REGISTERED OFFICE/ PRINCIPAL BUSINESS ADDRESS

9th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel. No. : (603) 2166 6225
Fax No. : (603) 2166 6220

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

STOCK NAME AND CODE

OSK (5053)

CORPORATE **STRUCTURE**

CORPORATE STRUCTURE
AS AT 20 FEBRUARY 2013

OSK HOLDINGS BERHAD

ASSOCIATED COMPANY

- **9.82%**
  RHB Capital Berhad

SUBSIDIARY COMPANIES

- **100%**
  OSK Capital Sdn. Bhd.
- **100%**
  KE-ZAN Holdings Berhad
- **100%**
  OSK Realty Sdn. Bhd.
- **100%**
  OSK Ventures Sdn. Bhd.
- **100%**
  OSK REIT Management Sdn. Bhd.

DIRECTORS' PROFILE

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

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, aged 70, 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 as Chairman and in 1988 was 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 Non-Executive Chairman of OSK Property Holdings Berhad, OSK Ventures International Berhad, 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, Federation of Public Listed Companies Bhd, Datin Seri Ting Sui Ngit Foundation and RHB Capital Berhad.

Dato' Nik Mohamed Din does not have any family relationship with other Directors and/or major shareholders of the Company. He has no conflict of interest other than disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Nik Mohamed Din attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

TAN SRI ONG LEONG HUAT @ WONG JOO HWA
CHIEF EXECUTIVE OFFICER / GROUP MANAGING DIRECTOR

Tan Sri Ong Leong Huat @ Wong Joo Hwa, aged 69, a Malaysian, is the Chief Executive Officer / Group Managing Director of the Company. He was first 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 a Non-Independent Non-Executive Directoron 4 May 2007. Tan Sri Ong was then re-designated to his current position on 9 November 2012. He is also a member of the 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. Tan Sri 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 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.

Tan Sri Ong is also the Managing Director/CEO of OSK Property Holdings Berhad, an Independent Non-Executive Director of Bursa Malaysia Berhad, a Non-Independent Non-Executive Director of OSK Ventures International Berhad, RHB Bank Berhad and RHB Investment Bank Berhad and a Director of KE-ZAN Holdings Berhad.

Tan Sri Ong is the brother of Mr. Wong Chong Kim, a Director of the Company. He has no conflict of interest other than disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Tan Sri Ong attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

DIRECTORS' PROFILE

WONG CHONG KIM
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Wong Chong Kim, aged 56, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 21 November 1990. He was formerly the Executive Director of the Company and re-designated to his current position on 4 May 2007. He is also a member of the Audit Committee, Risk Management Committee and Nominating 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 a 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 was 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 and a Director of KE-ZAN Holdings Berhad.

Mr. Wong is the brother of Tan Sri Ong Leong Huat @ Wong Joo Hwa, a Director and a major shareholder of the Company. He has no conflict of interest other than disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Wong attended five (5) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

FOO SAN KAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Foo San Kan, aged 64, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Audit Committee and Nominating Committee and a member of the 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, OSK Property Holdings Berhad, Symphony House Berhad, Allianz Malaysia Berhad, Allianz Life Insurance Malaysia Berhad, Allianz General Insurance Company (Malaysia) Berhad, OSK Trustees Berhad and Malaysian Trustees 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 Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Mr. Foo attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

DIRECTORS' PROFILE

DATO' ABDUL MAJIT BIN AHMAD KHAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Abdul Majit bin Ahmad Khan, aged 67, a Malaysian, was appointed to the Board of the Company on 2 January 2009. He is the Chairman of the Remuneration Committee and a member of Risk Management Committee and Nominating Committee of the Company.

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

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

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

Currently, he is a Director of OSK Investment Bank Berhad, Hong Leong Islamic Bank Berhad, 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 Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dato' Abdul Majit attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

DR. NGO GET PING

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Ngo Get Ping, aged 54, 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 a member of the Audit Committee and Nominating Committee of the Company.

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

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

Dr. Ngo is also an Independent Non-Executive Director in Tiong Nam Logistics Holdings Berhad, OSK Investment Bank Berhad, OSK Property Holdings Berhad and OSK Ventures International 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 Disclosures (Recurrent Related Party Transactions) which appears on pages 49 to 51 of this Annual Report. He has no conviction for any offences within the past ten (10) years.

Dr. Ngo attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2012.

CHAIRMAN'S **STATEMENT**

DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

Financial year 2012 continued to be a challenging one, fraught with major uncertainties and risks slanted towards the downside. The global economy weakened considerably with a growing number of developed economies, especially in the European zones, which fell into a double-dip recession. Countries that faced sovereign debt distress moved even deeper into recession, while developed economies became caught in downward spiralling dynamics. The spill over from these events have affected growth in the advanced and emerging economies in varying degrees, be it through trade and/or through the financial channels. However, on the local front, Malaysia's strong economic fundamentals provided sufficient buffers despite heightened uncertainties in the external sector. Despite the overall challenges throughout 2012, the Group has continued to keep its fundamentals and financials healthy.

Financial Performance

I am pleased to report, on behalf of the Board of Directors that, notwithstanding the challenges of 2012, the Group recorded pre-tax profit of RM987.65 million in 2012, a ten-fold increase from RM95.02 million in 2011. The strong results were mainly due to the gain arising from the disposal of its 100% equity interest in OSK Investment Bank Berhad ("OSKIB"); 100% equity interest in OSK Investment Bank (Labuan) Limited; 20% equity interest in OSK Trustees Berhad; and 20% equity interest in Malaysian Trustees Berhad to RHB Capital Berhad ("RHBC") (hereinafter referred to as "the Disposal of Subsidiary Companies") with a total consideration of RM2.09 billion satisfied via the issuance of 245.0 million new RHBC shares and cash of RM222.7 million.

Following the completion of the disposal on 9 November 2012 ("the Completion Date"), the relevant financial results in the audited financial statements are classified under discontinued operations for both current and preceding financial periods, so as to be in accordance with the disclosure requirements under MFRS 5. The financial results of the discontinued operations in 2012 covered the period from 1 January 2012 up to 9 November 2012, the Completion Date.

For both continuing and discontinued operations, the Group achieved total pre-tax profits of RM987.65 million, up more than 10 times from RM95.02 million recorded in 2011. However, revenue registered at RM907.09 million in 2012 compared with RM1.05 billion in 2011, as a result of only approximately 10 months financial results being consolidated in 2012. The strong pre-tax profit in 2012 included a one-off gain on the disposal of subsidiary companies of RM857.69 million and a write-back of allowance for impairment losses on investments and loans, advances and financing of RM13.46 million under discontinued operations; and allowance for individual assessment of RM24.58 million provided for additional impairment losses based on the Group's policy and non-recurring costs of RM10.00 million under the continuing operations. While pre-tax profit in 2011 consists of impairment losses on investments of RM70.08 million and non-recurring operating costs of RM25.07 million under discontinued operations as well as a gain on revaluation of property of RM15.00 million under continuing operations.

For continuing operations, excluding the allowance for individual assessment and non-recurring costs, operating pre-tax profit would have been RM49.61 million in 2012 compared with RM11.36 million in 2011. The improvement was mainly due to the share of profits after tax and non-controlling interests of RHBC group of RM32.91 million, higher income generated by capital financing business and net gain arising from revaluation and sales of securities which turned around from a net loss in 2011. Revenue from continuing operations also improved by 45% to RM41.85 million in 2012 compared with RM28.95 million in 2011 as a result of higher income generated by the capital financing business and rental derived from the investment properties.

For discontinued operations, without the one-off gain on Disposal of Subsidiary Companies and write-back of allowance for impairment losses, the pre-tax profit would have been RM101.47 million in 2012 compared with RM163.81 million in 2011, whilst revenue dropped by 15% or RM157.19 million from RM1.02 billion to RM865.24 million, largely due to shorter periods of accounts consolidation in 2012 and more subdued capital markets in the regions in which the Group operated, which has led to lower gross brokerage fee income for the Group's Equities and Futures segment. Furthermore, the Group had incurred higher operating expenses, mainly due to increase in personnel costs arising from business expansion, including the strengthening of management and staff force.

In addition, owner-occupied properties that were recorded at cost less depreciation under property and equipment before the Completion Date, have been transferred to investment properties due to change in use. These properties are measured at their fair values based on independent valuation at the date of transfer. A total gain of RM80.34 million is recognised in the statement of comprehensive income as a revaluation surplus within equity under continuing operations.

The profits attributable to owners of the Company have surged to RM944.92 million from RM52.75 million in 2011. This translates to earnings per share of 98.74 sen, up significantly from 5.62 sen in 2011. Consequently, the shareholders' funds of the Group as at 31 December 2012 have strengthened by 67% or RM984.73 million to RM2.45 billion from RM1.46 billion at the end of 2011, resulting in net assets per share up by 63% or RM0.97 to RM2.52 from RM1.55 a year ago.

In 2012, the Group's Investment Holding segment was the Group's biggest profit contributor, with a pre-tax profit of RM879.64 million (2011 showed a pre-tax loss of RM4.84 million), boosted by the gain on the Disposal of Subsidiary Companies of RM857.69 million as well as the share of profits of RHBC group of RM32.91 million.

The Group's Property Investment segment, which is contributed by the Group's continuing operations, reported a pre-tax profit of RM9.81 million in 2012 compared with RM25.18 million after having accounted for a one-off gain on revaluation of RM15.00 million in 2011. The profits were derived from renting out the Group's properties in Malaysia. The change in use from owner-occupied properties to investment properties requires properties to be measured at their fair values at the date of transfer; resulting in a total revaluation gain of RM80.34 million recognised in the statement of comprehensive income as a revaluation surplus within equity.

CHAIRMAN'S STATEMENT

Loans and Financing segment emerged as the Group's third largest profit contributor, reporting a pre-tax profit of RM54.16 million (2011: RM72.91 million), which consists of a pre-tax profit of RM62.42 million (2011: RM55.92 million) from discontinued operations; and pre-tax loss of RM8.26 million (2011: pre-tax profit of RM16.99 million) from continuing operations including the one-off allowance for individual assessment of RM24.58 million. Operationally, without the one-off allowance, this segment would have reported a pre-tax profit of RM78.74 million, with an increase by 8% or RM5.83 million from RM72.91 million in 2011. The improvement was mainly due to loan growth in Malaysia and Cambodia, with a steady growth in customer deposits.

The Group's Investment Banking segment, which comprises only discontinued operations, reported a pre-tax profit of RM71.25 million (2011: pre-tax loss of RM9.34 million), which included a write back of RM12.71 million in impaired investments (2011: impairment loss of RM70.08 million), making this segment the Group's second biggest profit contributor. Excluding the write-back and impairment loss, the Derivatives and Structured Products and Treasury businesses remained the Group's main profit contributors of this segment.

The Group's Equities and Futures segment, which comprises only discontinued operations, recorded a pre-tax loss of RM40.61 million in 2012 versus a pre-tax profit of RM0.90 million in 2011, primarily due to a decline in gross brokerage fee income caused by uncertainties in the external environment as well as softening regional market sentiments, which dampened trading turnover. This was aggravated in part by the start-up costs incurred by the Group's new branches in Thailand and Indonesia as well as the shorter period of accounts consolidation up to the completion date of the Disposal of Subsidiary Companies.

The pre-tax profit of the Wealth Management segment, which consists of only discontinued operations, improved close to two-fold to RM10.49 million in 2012 from RM5.54 million in 2011. This significant improvement was mainly attributed to higher fees earned by the Group's domestic Unit Trust Fund Management business and trustee companies.

In terms of geographical segments, the pre-tax profit from Malaysia increased by RM915.62 million to RM988.83 million in 2012 compared with RM73.21 million in 2011. Continuing operations contributed 2% or RM15.03 million (2011: RM26.36 million), while discontinued operations generated 98% or RM973.80 million (2011: RM46.86 million) of the domestic segment's profits. The better profits were mainly boosted by gain on the Disposal of Subsidiary Companies and share of profits of RHBC group.

The Group's overseas subsidiaries, representing part of the discontinued operations, recorded a pre-tax loss of RM1.18 million (2011: pre-tax profit of RM21.80 million). The weaker performance was mainly due to the drop in market turnover and higher operating expenses arising from business expansion of the Group's newly acquired subsidiaries in the second half of 2011 as well as a shorter period being consolidated up to the Completion Date of the Disposal of Subsidiary Companies in 2012.

Corporate Developments

The most significant corporate development of the Group for 2012 was the completion of the Disposal of Subsidiary Companies on 9 November 2012 for a total consideration of RM2.09 billion, satisfied through the issuance of 245.0 million new ordinary shares of RM1.00 each in RHBC and the remainder by cash of RM222.7 million. Consequently, the Company is holding 9.82% equity interest in RHBC, which is a more liquid investment form compared to quoted shares held in OSKIB, which is an unlisted public company.

Prior to the Disposal of Subsidiary Companies, the Group completed the following corporate exercises:

Between 1 January 2012 and 21 May 2012, OSKIB acquired additional 580,600 ordinary shares in OSK Securities (Thailand) Public Company Limited ("OSKST") from the open market for a total consideration of THB1,433,618 (equivalent to RM141,942), thereby increasing its equity interest in OSKST from 97.34% to 97.41%. The additional investment in OSKST further strengthened the Group's foothold in the big 4 ASEAN capital markets.

As part of the efforts to accelerate the growth of our nascent fund management business in the region, the Group also increased working capital in its Singapore subsidiary company, namely OSK International Asset Management Pte Ltd and subscribed for 51% interest in OSK Fideus Asia and Emerging Markets Value Fund Ltd by its Hong Kong subsidiary company.

To support growth of Cambodian subsidiary companies, the Group increased the working capital of OSK Indochina Bank Limited ("OSKIBL") for business expansion. On 26 June 2012, OSKIBL, a wholly-owned Cambodian banking subsidiary of OSKIB, received approval from National Bank of Cambodia to increase its paid-up capital by USD12 million (equivalent to RM38.319 million). Subsequent to the approval, OSKIBL increased its issued and paid-up capital from USD40 million to USD52 million through the issuance of 12 million new ordinary shares of USD1.00 each which was fully subscribed by OSKIB on 28 June 2012. The equity interest held by OSKIB in OSKIBL remained at 100%. On 25 October 2012, OSKIBL subscribed for USD1,500,000 new ordinary shares in OSK Indochina Securities Limited ("OSKISL") for additional working capital purpose. The issued and paid-up share capital of OSKISL was increased from USD10,000,000 to USD11,500,000.

Moving forward, the Group will focus on the development and future growth of the existing businesses and expects stable profits from its equity interest in RHBC group, followed by the capital financing business held under OSK Capital Sdn Bhd, rental income from investment properties held under Ke-Zan Holdings Berhad and property investment activities under OSK Realty Sdn Bhd. We are confident that these businesses will continue to grow and create value for the shareholders of the Company given the management's business plans to develop and expand the said businesses further.

CHAIRMAN'S STATEMENT

Review of Operations

Prior to the Disposal of Subsidiary Companies, despite a volatile market and challenging conditions across the region, the Group still achieved several milestones in 2012 as follows:

The Group's deposit base further expanded by 26% to RM6.8 billion as at 31 October 2012, latest date of statement of financial position prior to the Disposal of Subsidiary Companies, from RM5.4 billion in 2011 amid a challenging environment and a highly competitive landscape with other banks aggressively offering attractive deposit rates. The Group remained focused in keeping its cost of funds low to enhance the appeal of its financing and treasury products. The RM6.8 billion in deposits in 2012 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.

The Group's treasury business adopted a cautious approach in executing its strategies. Together with other units, it carried a securities portfolio worth RM4.8 billion as at 31 October 2012 compared with RM4.2 million in 2011, and is well positioned to grow the Group's securities portfolio should market opportunities arise.

In the Loans and Financing segment, the Group grew its loan assets to RM2,286 million as at 31 October 2012, representing 38% growth from RM1,655 million in 2011, contributed mainly by the Malaysia's corporate loans unit and Cambodia's commercial banking arm, which achieved a total gross loan growth of 38% or RM635 million. In the shares 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.

For the 10 months up to 31 October 2012, the Malaysian equities business registered 5th place by value, commanding a market share of 6.3%. In terms of trading volume, it continued to lead the industry with a respectable market share of 11.4%, compared with the 11.9% recorded in 2011, hence retaining its top spot.

Our 51%-owned subsidiary, DMG & Partners Securities Pte Ltd, put up a steady performance for the first 10 months in 2012 in spite of an increasingly competitive marketplace. It scored top 3 spot in equities, with a market share by trading value of 7.3% for the first 10 months in 2012 prior to the Disposal of Subsidiary Companies, compared with 9.8% in 2011.

We remained a market leader in the futures trading business in Malaysia for the months to 31 October 2012, upholding our top 3 position in the FKLI and FCPO market, with market shares of 9.3% (3rd ranking) and 10.1% (2nd ranking) respectively. Since 2011, we also added more foreign futures contracts to our trading platform towards enhancing our offering of products, for which we foresee future growth potential.

After the completion of the Disposal of Subsidiary Companies, the Group focused on the development and growth of its existing businesses, which includes capital financing business under OSK Capital Sdn Bhd where notably the total gross loans expanded to RM353.7 million, up from 71% or RM147.1 million from RM206.6 million at end of 2011 as a result of continued loan growth strategy while Ke-Zan Holdings Berhad also obtained better rental rate.

The Group has shared profit from its investment in RHBC for approximately two months up to 31 December 2012.

Overall, the Group's operational performance in 2012 was satisfactory.

Awards and Accolades

The Group's Investment Banking segment and research arm recorded several notable research and investment banking awards in the first 10 months of 2012.

OSKIB ranked 3rd by volume in the Southeast Asia Financial Adviser League tables for the first quarter of 2012 by Mergermarket, a mergers & acquisitions (M&A) intelligence service. In terms of value, OSKIB ranked 5th (up from 16th place for Q1 2011).

OSKIB ranked 20th in the overall League Table of Financial Advisers to Asia Pacific (ex. Japan) M&A by both value and volume for Q1 2012. In comparison, OSKIB was ranked 61st by value and 35th by volume in the corresponding period last year. In the Mergermarket League tables, the Group also ranked 7th for M&A deals in Southeast Asia by volume.

OSKIB also won the award for Best Mid-Cap Corporate Finance house 2012 in Malaysia and Singapore at the 6th Annual Alpha Southeast Asia Best Financial Institution Awards & 2nd Corporate Awards 2012. This was OSKIB's first submission for the Alpha Southeast Asia awards which consolidates OSKIB's leadership in small and mid-cap investment banking firms in the ASEAN region.

The Group also achieved Best Dual-Listed IPO of the Year, a RM6.7 billion IHH Equity Offering where OSKIB was one of the Joint Underwriters for the Malaysia Public Offering, and Most Innovative Islamic Finance Deal of the Year – for First Resources Limited's inaugural ringgit-denominated sukuk issuance of RM600.0 million pursuant to its RM2.0 billion Sukuk Musharakah Programme, where OSKIB and RHB Investment Bank Berhad acted as Joint Principal Advisers/Joint Lead Arrangers and Joint Lead Managers/ Joint Bookrunners.

The Group's research arm, OSK Research Sdn Bhd (OSK Research), won several top rankings from the industry, including the Asiamoney Brokers Poll (3rd best local brokerage standing in Malaysia), the Edge's Brokers Poll, Asian Wall Street Journal and StarMine Analyst Awards. In the Asiamoney Brokers Poll 2012, OSK Research was ranked number 1 for 'Best Small Caps Coverage' in Malaysia and Singapore, as well as 'Most Improved Brokerage', 2nd Most Independent Research Brokerage, and 3rd best for overall Country Research. In The Edge Brokers Poll, OSK Research was awarded 'Best Call on Consumer' and 'Best Call on Education'.

CHAIRMAN'S STATEMENT

In the StarMine Analyst Awards 2012, OSK Research was awarded 'Best Telecommunications Stock Picker' in Asia and Top 3 'Most Productive Broker' in Singapore, while one of OSK Research's analysts, Alvin Tai, was ranked second out of 78 qualified analysts in Malaysia in the Asian Wall Street Journal's (AWSJ) annual Asia's Best Analysts awards.

Prospects for 2013

The Group expects the global economic outlook for 2013 to remain uncertain, with growth expected at a moderate level, due to the Eurozone debt crisis which remains unresolved, despite the US economy having improved moderately. The growth of the Malaysian economy is expected to be in the region of 5%, given the resilience displayed by the domestic economy, which is largely driven by domestic private investments.

Going forward, the Group will focus on the development and future growth of its existing businesses. We expect the profitability of the Group to be driven primarily by the equity accounting of the profit generated from its equity interest in the RHBC group, followed by the capital financing business under OSK Capital Sdn Bhd, rental income from existing investment properties under Ke-Zan Holdings Berhad and property investment activities under OSK Realty Sdn Bhd.

With regard to the Group's Investment Holding business, the Board foresees steady profit contribution from its equity stake in RHBC Group in view of the earnings from RHBC's commercial banking operations which is less volatile and from the favourable prospects of the merged investment bank. The merged investment bank will potentially be one of the largest investment banks in Malaysia with a strong position in mergers and acquisitions, brokerage, equity capital markets and debt capital markets, through their regional operations presence.

The Group's Loans and Financing sector remains committed to expand and widen the loan base of capital financing and continues to grow. The growth of the capital financing business will continue to depend on the Group's ability to exploit its business opportunities. The property investment arm of the Group will continue to explore and evaluate investment opportunities and improve the performance of the existing assets held.

The Board is confident that the Group will perform satisfactorily in 2013 despite the prevailing challenging global economic environment.

Dividends

The Board declared/recommended total dividends of 10.00 sen per share less 25% income tax (2011: 4.5 sen per share less 25% income tax and distribution of one treasury share for every forty ordinary shares held), including the recommendation of the proposed final dividend of 2.5 sen per share, subject to Shareholders' approval at the forthcoming Annual General Meeting.

Acknowledgements

We are especially proud of the conferment of the Panglima Setia Mahkota (PSM) Award, which carries the title of Tan Sri, bestowed officially upon Tan Sri Ong Leong Huat on 16 October 2012 by the Yang Di Pertuan Agong Tuanku Abdul Halim Mu'adzam Shah, the 14th elected King of Malaysia. Tan Sri Ong also received The BrandLaureate Premier Brand ICON Leadership Award 2012 on 3 October 2012 from the Asia Pacific Brands Foundation (APBF) as recognition for his outstanding achievements and leadership in the financial industry. On behalf of the Board of Directors, I congratulate him on both these prestigious awards. I would also like to acknowledge that on 9 November 2012, Tan Sri Ong was re-designated as Chief Executive Officer and Managing Director of OSK Holdings Berhad.

I would like to take this opportunity to thank our director, Mr Wong Chong Kim, who has decided to retire from the Board by the forthcoming Annual General Meeting, for his invaluable contributions to the Group during his tenure.

I wish to express my appreciation to our Shareholders, as well as our valued clients and business partners, for their continued support and confidence in the Group, our management and staff for their admirable dedication, contribution and unwavering commitment to ensure the continued growth and success of the Group.

I extend my deepest gratitude to Bank Negara Malaysia, the Securities Commission of Malaysia, Bursa Malaysia Securities Berhad, the regulatory authorities of the countries in which we had a presence, and all other relevant authorities for their guidance, advice and support.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Chairman

2012 ECONOMIC REVIEW

2012 MARKET REVIEW

External headwinds and election risk

The local bourse has been relatively volatile in 2012, influenced by external headwinds and concerns over the timing of an imminent General Election on the home front. After a slow but steady climb of 5.0% or 75.9 points in the FBM KLCI benchmark in the first quarter, the local bourse succumbed to external headwinds as well as rumours of an imminent general election and fell by as much as 4.6% or 74.17 points from 3 April to a low of 1,532.46 on 18 May. As external headwinds subsided and news flow of an imminent General Election faded, the benchmark index regained its lost ground and rose by 7.9% to a new high of 1,654.11 on 4 September. Although economic data releases were weak, accommodative central bank policy actions around the world provided strong support to global and local equities, which stood up against the relatively lower returns of alternative asset classes.

A new wave of selling pressure, however, emerged thereafter. This was despite concerted efforts by major central banks to embark on further quantitative easing. These included: (i) The ECB launching a conditional bond-buying programme for troubled Eurozone countries; (ii) The USA implementing an open-ended QE3; and (iii) Japan adding ¥11 trn to its asset-purchasing programme. While global equities reacted positively to these moves, the rally was short-lived as investors became doubtful of whether it will translate to a better economic outlook. In addition, the sharper-than-expected economic slowdown in China and India as well as disappointing US economic data releases also came back to haunt investors. The local bourse, in particular, came under more intense selling pressures and the FBM KLCI benchmark dropped to a low of 1,612.38 on 24 September.

The market started trending up from the end of September, albeit with low volume despite continuing worries over the Eurozone debt crisis and mounting evidence of a slowing world economy.

Throughout the month of November the market fell on the back of lower CPO prices, reports of the International Monetary Fund cutting its growth forecasts as well as further risk reduction in view of the looming General Elections. But as we entered the last month of the year, the market recovered on the back of continued easing of monetary conditions by central banks around the world and more positive economic numbers coming from the East Asian economies in Q4. These factors, coupled with an inflow of foreign funds into emerging markets, helped the benchmark index rally to close the year at 1688.95 on 31 December, reflecting a gain of 10.3% year on year.

2012 ECONOMIC REVIEW

Table 1 : FBM KLCI movement in 2012

Source: Bloomberg

Table 2 : FBM KLCI performance vis-à-vis regional markets in 2012

Country	Indices	Current Index 31/12/2012	2012 Q1	2012 Q2	2012 Q3	2012 Q4	YOY 2011	YTD 2012
Malaysia	KLCI	1,689.0	4.3	0.2	2.3	3.2	0.8	10.3
Singapore	STI	3,167.1	13.8	-4.4	6.3	3.5	-17.0	19.7
Thailand	SET	1,391.0	16.7	-2.1	10.8	7.1	-0.7	35.7
Philippines	Pcomp	5,812.7	16.8	2.7	1.9	8.7	4.1	33.0
Indonesia	JCI	4,316.7	7.8	-4.0	7.8	1.3	3.2	12.9
Hong Kong	Hang Seng	22,656.9	11.5	-5.4	7.2	8.7	-20.0	22.9
Taiwan	TWSE	7,699.5	12.2	-8.0	5.7	-0.2	-21.2	8.9
Korea	Kospi	1,997.1	10.3	-7.9	7.7	0.0	-11.0	9.4
China	Shanghai	2,269.1	2.9	-1.7	-6.3	8.8	-21.7	3.2
China	Shenzhen	881.2	2.9	3.3	-7.3	3.2	-32.9	1.7
India	Mumbai	19,426.7	12.6	0.1	7.6	3.5	-24.6	25.7
Vietnam	VSE	413.7	25.5	-4.2	-7.1	5.4	-27.5	17.7
Sri Lanka		5,643.0	-10.8	-8.4	20.3	-5.5	-8.5	-7.1
US	Dow Jones	13,104.1	8.1	-2.5	4.3	-2.5	5.5	7.3
US	S&P 500	1,426.2	12.0	-3.3	5.8	-1.0	0.0	13.4
US	Nasdaq	3,019.5	18.7	-5.1	6.2	-3.1	-1.8	15.9

Source: Bloomberg

2012 ECONOMIC REVIEW

2013 MARKET OUTLOOK

Near-term Focus on Election Risk

The General Election in Malaysia will be a key risk that will underpin the performance of the local bourse in the first half of 2013. While volatility for the local equity market is likely to increase ahead of the General Election, the market is likely to remain relatively stable given the resilience of the Malaysian economy and the fact that it has already underperformed its regional peers significantly in 2012.

The performance of the stock market for the remainder of the year will largely be influenced by the timing and results of the General Election. As at now, our end-2013 FBM KLCI target is at 1,815, close to 15x 2014 earnings.

ECONOMIC REPORT

Resilient despite a challenging external environment

Despite a challenging external economic environment, the Malaysian economy held up relatively well in 2012. The real GDP growth picked up to a high of 5.6% year on year in the second quarter of the year, from +5.1% in the first quarter, before moderating somewhat to +5.3% in the third quarter. The moderation in the third quarter was attributed to a decline in the country's exports, which contracted by 3.0% year on year in the third quarter, after moderating to +2.1% in the second quarter. The real GDP rebounded to record a stronger growth of 6.4% year on year in the fourth quarter on account of sustained increases in both the public and private investments as well as resilient consumer spending during the quarter. The former was underpinned by the on-going implementation of the Economic Transformation Programme (ETP), the Public-Private Partnership (PPP) and various corridor projects and the latter was driven by the civil servants' bonus payment and, to some extent, the windfall gain from the listing of the Felda Global Venture as well as favourable employment market.

Despite weakening exports, the Malaysian economy continued to expand at a reasonably strong pace, underpinned by resilient domestic demand. Indeed, domestic demand strengthened to a strong double-digit rate of growth of 14.0% year on year in the fourth quarter, from +10.0% in the first quarter, before moderating to +7.5% in the fourth quarter. In 2012, domestic demand grew by 10.6% compared with +8.2% in 2011. This was on account of a surge in both private and public investments, which expanded at a robust pace of 22.0% and 17.1% respectively in 2012, compared with +12.2% and -0.3% respectively in 2011. The strong growth in investment was in tandem with the implementation of projects under the Economic Transformation Programme (ETP), the Public-Private Partnership (PPP) and various economic corridors. In the same vein, consumer spending continued to grow at a strong pace of +7.7% in 2012, after a gain of +7.1% in 2011, lifted by the financial assistance provided by the Government to ease the people's burden.

2012 STOCK MARKET REVIEW

2013 ECONOMIC OUTLOOK

Guarded optimism, underpinned by resilient domestic demand

With the tail risk for the euro-debt crisis subsiding, partial resolution of the US fiscal cliff and green shoots seen in China's economy, the global economy is envisaged to sustain its growth in 2013. Growth, however, will unlikely be strong as the US economy is envisaged to expand at a sub-par rate, while the Eurozone economy will likely remain sluggish. The former's economic growth will likely be constrained by its efforts to reduce its budget deficit, while the latter will likely continue to experience a widespread implementation of austerity measures across the region. A slightly better global economic outlook will, nonetheless, improve demand for the country's exports in 2013.

Domestically, the continued implementation of the ETP, PPP and various economic corridor projects will likely remain a key driver of the economy in 2013. We expect the implementation of these projects to continue to provide a strong support in sustaining the country's economic growth. The Government's generosity in providing financial assistance to the people will also likely help to sustain consumer spending in early 2013, but the effect will likely taper off in the second half of the year. These will likely be complemented by a gradual revival of the country's exports, when global uncertainties clear out as time progresses.

As a whole, we expect real GDP to sustain its growth at around 5.4% in 2013, compared with 5.6% in 2012.

Table 3 : GDP by Expenditure Components (at constant 2005 prices)

	2011	2012	2013f
	% yoy		
Consumption			
Public sector	16.1	5.0	3.4
Private sector	7.1	7.7	6.1
Gross Fixed Capital Formation	19.9	9.2	
Public sector	-0.3	17.1	5.4
Private sector	12.2	22.0	12.0
Aggregate Domestic Demand	10.6	6.6	
Exports of Goods & Services	4.2	0.1	4.5
Imports of Goods & Services	6.2	4.5	6.5
GDP	**5.1**	**5.6**	**5.4**

Source: Department of Statistics, RHBRI
f: RHBRI's forecasts

Table 4 : GDP by Industrial Origin (at constant 2005 prices)

	2011	2012	2013f
	% yoy		
Real Gross Domestic Product	5.1	5.6	5.4
Agriculture, forestry & fishing	5.9	0.8	2.0
Mining & quarrying	-5.7	1.4	1.5
Manufacturing	4.7	4.8	6.2
Construction	4.6	18.5	10.5
Services	7.0	6.4	6.1

Source: Department of Statistics, RHBRI
f: RHBRI's forecasts

CORPORATE SOCIAL RESPONSIBILITY

The Board believes that as a public listed company, the Group has a responsibility to act as a good corporate citizen. It is vital for the Group to continue to comply with public policies as well as regulatory requirements which play a major role in determining the Group's business models, strategies, and ultimately, the potential for financial growth and success of the Group.

The Group recognises the need to operate its businesses in a responsible and sustainable manner, complying with all relevant legislative and regulatory requirements, to maintain its corporate image and brand and to generate future business.

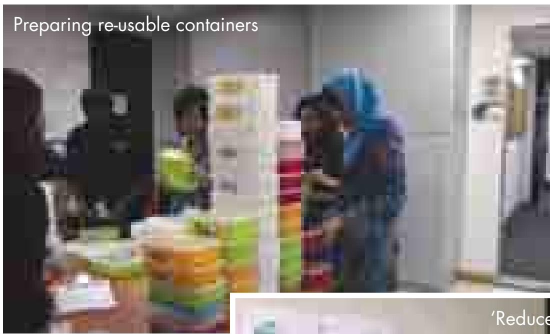
The Group also understands that the environmental, social and governance aspects of business underpin sustainability and that balancing these three aspects with the interests of various stakeholders is essential to enhance investor perception and public trust and therefore deliver sustainable returns. Hence, the Group is committed to ensuring that its business is conducted in accordance with recommended ethical, professional and legal standards and to comply with all laws and regulations.

Throughout 2012, the Group has undertaken various initiatives to create a positive and momentous impact in the lives of others, within the community and the environment in which it operates, such as aiding the underprivileged, providing graduate employment, enhancing professional development, practising good environmental practices as well as supporting projects and events that promote healthcare, education and environmental awareness.

CSR for the Environment

Energy & environmental conservation

The Group aims to reduce environmental impact in the areas of waste, water, energy and air quality in the workplace through encouraging the use of sustainable practices in the maintenance of company properties and business premises, promoting the conservation and/or reduction of energy, using energy-saving equipment where applicable. The Group has successfully fostered a culture of re-using and recycling plastic which thereby ensures responsible waste disposal.


Preparing re-usable containers


'Reduce, Reuse, Recycle'

The Group recognises the importance of preserving the environment and conserving resources wisely by encouraging environment-friendly practices in its daily operations and promoting environmental efforts and activities throughout the year.

The Group joined the global community in celebrating Earth Hour on 31 May 2012 by switching off non-essential lights for an hour between 8.30pm and 9.30pm at respective local times. This effort was shared by the the Group's Principal Office at Plaza OSK in Kuala Lumpur, as well as its branches and regional offices.

In conjunction with Clean up the World campaign, a community-based, environmental campaign that inspires and empowers global communities to clean up and conserve their environment, the Group organised the 'Earth Warrior' – 'Reduce, Reuse, Recycle' campaign from 10 to 14 September 2012 where staff were encouraged to use reusable food containers instead of polystyrene packets or plastic bags for lunch takeaways.


Planting "Tenggek Burung" saplings

As part of the campaign, the Group also showed support for the environment by inviting the Truly Loving Company (TLC) to hold a one day only promotion of its biodegradable, natural plant-based and environmentally-friendly range of TLC Green household cleaning products at Plaza OSK.

Volunteers (staff) also had the opportunity to give back to the earth by planting 80 "Tenggek Burung" saplings at the Raja Musa Forest during a tree planting activity conducted by the Global Environment Centre Reserve. Tenggek Burung is a plant with herbal medicinal qualities.

CORPORATE SOCIAL RESPONSIBILITY


OSK donates three recycling bins


Beach cleaning


Health Talk


Getting a health check

A group of 33 volunteers trooped to Pantai Kelanang in Banting on 29 September 2012 to help clean up a one kilometre stretch of beach. This activity aimed to engage staff to become active citizens inspired to serve the community; allow them to gain a deeper appreciation for the environment around them; empower them to be 'green' ambassadors to spread the word among their peers; and create opportunities for bonding and interaction among staff. OSK also donated three large recycling bins to the park to encourage members of the public to dispose of waste materials such as glass, paper, plastic and aluminium responsibly and separately.

The Group's Principal Office at Plaza OSK practises energy and environment conserving measures by implementing automatic shutdown of the air-conditioning system in the building by 6pm. Air-conditioning is not utilised on Saturdays and Sundays. As for environment conservation, staff are also encouraged to conserve paper usage by printing only when necessary and on both sides of the paper.

CSR in the Workplace

Employee welfare

The Group recognises its employees as major assets and their commitment and support are valued immeasurably. The Group strives to provide in-coming talents with a conducive and productive environment to work and learn, and the Group believes that enhancing employee motivation and welfare will contribute positively to the long-term profitability, growth and sustainability of the business.

As part of the Group's focus on the importance of staff health and well-being, the Group organised a series of talks and various programmes throughout 2012 to promote health awareness, all of which garnered good response and were well-received by the staff.

Amongst the health programmes included a MAKNA Breast Cancer Talk to raise awareness on the importance of early cancer detection and preventive checks; a bone density check by Captivate Sdn Bhd, a subsidiary of the company which distributes Anlene milk; a Cholesterol Health Talk and a free health check including blood pressure, BMI (body mass index) and cholesterol test conducted by KPJ Tawakal Specialist Hospital; a health screening by the National Kidney Foundation which also included the provision of counselling by healthcare professionals and a Halloween-themed blood donation drive by the National Blood Bank (Pusat Darah Negara).

CORPORATE SOCIAL RESPONSIBILITY

CSR for the Community

OSK gives back

Through the Group's CSR tagline "OSK Gives Back", the Group aims to give back to disadvantaged communities by volunteering and donating resources; to make a positive social and economic impact towards the betterment and comfort of the underprivileged and disadvantaged sectors of the community.

Festive seasons can be a lonely time especially for those who have been neglected and/or are abandoned by their families. To bring joy and cheer to the elderly during the Chinese New Year, the Group's staff surprised 70 residents at the Little Sisters of the Poor, a home for the aged located in Cheras, Kuala Lumpur, with boxes of mandarin oranges and food. The Group's staff spent time to interact with the residents there, serve meals and feed the elderly folk who were aged between 70 and 99 years.

The Group's staff also shared Hari Raya cheer and gifts of Jusco vouchers with 45 single mothers and 65 children under the care of WIRDA (Women's Initiative for Research, Development, and Advancement) at a 'buka puasa' (breaking of fast) dinner held at Double Tree by Hilton Kuala Lumpur.

To better understand the difficulties faced by those without sight, the Group's staff participated in the Blind Leading the Blind Charity Walk 2012, which was organised by the Lions Club of Petaling Jaya, funded by Malaysia's Ministry of Health and aimed to raise funds to contribute towards cataract surgeries for those in need.

The Group's staff from Klang, Ipoh, and Seremban branches together with their respective Branch Heads also took some time out to bring cheer to homes and organisations for the less fortunate within their community and distributed gifts of the Group's towels to the residents of the homes.

Remembering that children with special needs also have wants, needs and feelings like any normal child, the Group's staff took the children from Rumah Jagaan Kanak-Kanak Istimewa Sri Eden on a guided tour of Rabbit Fun Land to see rabbits and cows and enjoy pony rides.

Caring for the elderly at the Little Sisters of the Poor

'Buka puasa' with single mothers and children

Blind Leading the Blind Charity Walk 2012

At Rabbit Fun Land

CORPORATE SOCIAL RESPONSIBILITY


With children at Sungai Buloh Hospital


Painting Batu Grace Orphanage


OSK Team at the 13th Edge-Bursa Malaysia KL Rat Race 2012


Happy with their new school items

While some may have food on their table every day, there are many who are not as fortunate. In collaboration with Kechara Soup Kitchen, an NGO whose mission is to provide food and medical care for the homeless, the Group's staff reached out to the hungry by helping to prepare meal packages and going out on the streets to distribute them to the homeless, in various areas within the Klang Valley, ranging from Sentul to Petaling Street.

Children at the paediatric ward of Sungai Buloh Hospital received wonderful cheer from the Group's staff who presented them with boxes of stuffed toys, board games and other assorted toys as part of a Toy drive. The children also participated enthusiastically in colouring and craft activities and singing popular children's songs accompanied by our guitarist.

A group of 39 of the Group's staff from the northern region offices lent their handy home skills to Batu Grace Orphanage in Kulim, Kedah when they gave it a much needed new coat of paint both inside and out. The Home which comprises 60 orphans and 6 senior citizens also received donations of rice, flour, cooking oil and milk as well as a brand new refrigerator from the Group's staff.

In the 13th Edge-Bursa Malaysia Kuala Lumpur Rat Race 2012 held on 25 September 2012, the Group sent in two teams of five runners in the Mixed Category who clocked markedly improved times from the previous year. The Rat Race raised a record RM2.2 million for 26 beneficiaries, including the Malaysian Federation of the Deaf, National Society of St. Vincent de Paul Conference of St Francis Xavier, Persatuan Kebajikan Sinar Ceria and Persatuan Kebajikan CiHang-Chempaka Selangor.

In its effort to help replenish the local blood bank supply, the Group in collaboration with the National Blood Bank, organised a Halloween themed blood donation drive in October, which yielded a harvest of 55 bags of blood.

For a child, going back to school is always made a more pleasant experience especially with new school items. Hence, 15 of the Group's staff accompanied children from Pondok Penyayang Raudhah and Rumah Kebajikan Anak Yatim dan Miskin Al-Khairiyah, to the Professor Uniform store in SS2 Petaling Jaya, to buy school supplies in preparation for their new school year. Each child also received two sets of school uniform, socks, and a school bag.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of OSK Holdings Berhad ("the Company") recognises and subscribes to the importance of the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") 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.

On 9 November 2012, the Company has completed the disposal of equity interests in OSK Investment Bank Berhad (100%), OSK Trustees Berhad (20%), Malaysian Trustees Berhad (20%) and OSK Investment Bank (Labuan) Limited (100%) to RHB Capital Berhad ("RHBC") (hereinafter referred to as the "Disposal of Subsidiary Companies")

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 in the management of the Company's businesses.

The Board has formulated a Sustainability Policy which sets out the business strategy that drives long-term corporate growth and profitability, by including environmental and social issues in the business model.

In manifestation of its commitment to MCCG 2012, the Board has established a Board Charter to ensure that all Board members are aware of their fiduciary duties and responsibilities, various legislations and regulations affecting their conduct, the need for safeguarding the interests of the shareholders, customers and other stakeholders and that highest standards of corporate governance are applied in all their dealings in respect and on behalf of the Company.

The major responsibilities of the Board as outlined in the Board's Terms of Reference and Board Charter include amongst others, the following:

- review and approve the strategies, business plans and policies;
- establish key performance indicators;
- oversee the conduct of the Company's business to evaluate whether the business is being properly managed and sustained;
- ensure competent management and succession planning;
- ensure establishment of risk management infrastructure and policies;
- review the adequacy and integrity of the Company's internal control systems;
- establish procedures governing self-serving practices and conflicts of interest;
- establish Board Committees, whenever necessary;
- ensure the Company's activities are conducive towards promoting the economic well-being of the community; and
- approve transactions or activities which are beyond the individual discretionary powers of Management, Management Committees or Board Committees delegated by the Board.

Details of the Board Committees are set out on pages 38 to 43 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 Director. Such delegations are subject to strict approving authority limits. These are matters pertaining to:

- recurring revenue expenditures (within ordinary course of business);
- other non-recurring expenditures;
- capital expenditures;
- investments /proprietary trading;
- inter-company loans and advances;
- corporate guarantees/other commitments;
- bank loans/private debt securities issuance; and
- investments in subsidiary or associated companies.

The Executive Committee was established by the Board and it was 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.

STATEMENT ON CORPORATE GOVERNANCE

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

b) Composition of the Board

For the financial year ended 31 December 2012, the Board is comprised of one (1) Non-Executive Chairman, one (1) Chief Executive Officer / Group Managing Director ("CEO/GMD") and four (4) 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 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.

The Board deems the 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 good integrity and character, there is a mechanism in place to ensure that each of the Directors meets the "Fit and Proper" standards. During the year, 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 Company has also adopted the Code of Ethics for its Directors.

One of the recommendations of the MCCG 2012 states that the positions of Chairman and Chief Executive Officer should be held by different individuals, and the Chairman must be a non-executive member of the Board.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, who was previously the Executive Chairman of the Company, was re-designated as Non-Executive Chairman of the Company on 28 December 2009.

On 9 November 2012, Tan Sri Ong Leong Huat @ Wong Joo Hwa was appointed by the Board as the CEO/GMD of the Company.

The Board has established the roles and responsibilities of Chairman which is distinct and separate from the roles and responsibilities of CEO/GMD. The segregation between the duties and responsibilities of Chairman and CEO/GMD ensures an appropriate balance of roles, responsibilities and accountability at Board level.

The profiles of the Directors are set out in the Directors' Profiles on pages 13 to 15 of this Annual Report.

One of the recommendations of the MCCG 2012 provides that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. Mr. Wong Chong Kim, who is a Non-Independent Non-Executive Director of the Company has expressed his intention to retire at the conclusion of the forthcoming 23rd Annual General Meeting ("AGM"). Hence, he will retain office until the close of the forthcoming 23rd AGM. After his retirement, the Board will comprise a majority of independent directors.

The Board is supportive of gender diversity in the boardroom as recommended by the MCCG 2012 and has developed a Gender Diversity Policy to promote the representation of women in the composition of the Board.

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.

The Chairman of the Audit Committee will report to the Directors at Board meetings, of any salient audit findings deliberated at the Audit Committee meetings which require the Board's notice or direction.

The Chairman of the Risk Management Committee will report to the Directors at Board meetings, of salient issues and views raised at the Risk Management Committee meetings which require the Board's discussion on actions that may be required to be taken by the Management.

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

c) Supply of Information (Cont'd)

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 Secretaries.

The Board has unrestricted access to the Company's information and receives regular information updates from the Management. Corporate announcements released to Bursa Securities 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 Secretaries 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) Company Secretaries

The Company Secretaries are responsible for ensuring the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries advise the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Code of Ethics for Company Secretaries is adopted and the Board ensures that the Company Secretaries appointed have the relevant experiences and skills.

e) Board Meetings

During the financial year under review, seven (7) Board meetings were held. Details of the Directors' attendance are as follows:

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

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated in the Bursa Securities Main Market Listing Requirements (minimum 50% attendance).

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's 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.

STATEMENT ON CORPORATE GOVERNANCE

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

f) Appointment of Directors

The Nominating Committee established by the Board, is responsible for screening, evaluating and recommends suitable candidates to the Board, for appointment as Directors as well as filling the vacant seats of the Board Committees.

In respect of the appointment of Directors, the Company practiced a clear and transparent nomination process which involves the following five (5) stages :-

Stage 1 : Identification of candidates
Stage 2 : Evaluation of suitability of candidates
Stage 3 : Meeting up with candidates
Stage 4 : Final deliberation by the Nominating Committee
Stage 5 : Recommendation to the Board

The Company also adopted 'Fit and Proper' standards for Directors in ensuring that the Directors are of high calibre, sound judgement, high integrity and creditability on a continuing basis.

The Directors observe the recommendation of the MCCG 2012 that they are required to notify the Chairman before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

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

In respect of the financial year under review, the Nominating Committee had 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".

In line with the recommendations of the MCCG 2012, the Nominating Committee has also performed an annual review on the independency of Independent Directors as well as the proportion of the female to male Board members.

The Nominating Committee comprises of five (5) Non-Executive Directors, the majority of whom are Independent Directors. The details are set out on pages 39 to 41 of this Annual Report.

g) Re-appointment and Re-election of Directors

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

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 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-appointment and re-election at the AGM will be assessed by the Nomination Committee whereupon the recommendations will be submitted to the Board for decision on such proposed re-appointment and/or re-election of the Directors concerned for shareholders' approval at the forthcoming AGM.

The Directors who are standing for re-appointment and re-election at the forthcoming 23rd Annual General Meeting of the Company to be held on 10 April 2013 are as stated in the Notice of the 23rd AGM.

h) Remuneration of Directors

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

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

h) Remuneration of Directors (Cont'd)

- 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 the majority of Non-Executive Directors and the details are set out on pages 38 to 39 of this Annual Report.

The Remuneration Committee carries out an annual review of the Directors' remuneration whereupon recommendations are submitted to the Board for approval. Such annual review shall ensure the remuneration package of the Directors remains sufficiently attractive to attract and retain Directors.

The Executive Director does not participate in the decision with regards to his remuneration. The determination of the remuneration package for Directors is determined by the Board as a whole, with the Directors concerned abstaining from deliberations and voting on his/her own remuneration.

The Directors are paid an annual fee of RM30,000 each with additional fee paid to the Chairman of the Audit Committee.

The proposed Directors' fees for the financial year 2012 would be tabled at the 23rd AGM for approval by the shareholders.

Details of the Directors' remuneration for the financial year ended 31 December 2012 are as follows:

2012	**Executive RM'000**	**Non-Executive RM'000**	**Total RM'000**
Amount received/receivable from the Company:			
Fee - current year	**30**	**158**	**188**
Defined contribution plan	-	39	39
Other emoluments	-	326	326
	-	**365**	**365**
Benefits-in-kind	-	-	-
Total	**30**	**523**	**553**
Amount received/receivable from the Group:			
Fee - current year	**113**	**565**	**678**
Defined contribution plan	-	295	295
Other emoluments	1,914	2,149	4,063
	1,914	**2,444**	**4,358**
Benefits-in-kind	-	24	24
Total	**2,027**	**3,033**	**5,060**

STATEMENT ON CORPORATE GOVERNANCE

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

h) Remuneration of Directors (Cont'd)

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

2012	**Executive**	**Non-Executive**	**Total**
Group			
RM100,001 up to RM150,000	-	2	2
RM150,001 up to RM200,000	-	1	1
RM550,001 up to RM600,000	-	1	1
RM2,000,001 up to RM2,050,000	1	1	2
	1	**5**	**6**

i) Continuing Education of Directors

The Directors of the Company have all attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities for directors of public listed companies.

Directors' training is an on-going process as the Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.

All the Directors have attended trainings during the financial year ended 31 December 2012. Some of these training programmes, seminars and forums are as follows:

1. Data Protection in Malaysia;
2. Competition Act 2010;
3. Malaysian Code On Corporate Governance 2012 Seminar;
4. Invest Malaysia 2012;
5. 23rd Palm & Lauric Oils Conference;
6. Financial Institutions Directors Education (FIDE) Forum;
7. Directors' Duties, Defences, Bursa Malaysia and Judicial Review;
8. Foreign Account Tax Compliance Act (FATCA) for Senior Management;
9. Malaysian Institute of Accountants – Compliance : Are you meeting the Requirements? Directors and Officers' Guide on Liability, Duties and Obligations; and
10. Sustainability Training for Directors and Practitioners.

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.

STATEMENT ON CORPORATE GOVERNANCE

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

j) Effective Communication with Shareholders

The Board recognises the importance of shareholder communication as a key component to upholding the principles and best practices of corporate governance for the Group. As such, maintaining an effective communication policy between members of the public and the Company is important. The Company has adopted the Investor Relations Policy. The Group practices accurate and timely dissemination of information to the shareholders and the investing public.

Apart from complying with the continuing disclosure requirements as stipulated in the Listing Requirements of Bursa Securities, the Board also observes the recommendation of the MCCG 2012 with regard to strengthening communication and engagement with the shareholders.

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

a) Annual Report communicates comprehensive information of the financial results and activities undertaken by Group.

b) The AGM has been the main forum of dialogue for the shareholders to raise their concerns, if any, pertaining to the Company.

c) Quarterly announcements and corporate disclosures to Bursa Securities are available on the website *www.bursamalaysia.com*.

d) Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches.

e) The Company's website *www.oskholdings.com* provides corporate information of the Group.

Where possible and applicable, the Group provides additional disclosure of information on a voluntary basis. The Board believes that on-going communication with shareholders is vital to shareholders and investors to make informed investment decisions.

k) Investors Relations

The Board recognises that effective and timely communication is essential in maintaining good relations with the investors. Other than the Company's website which provides comprehensive, accurate and timely corporate information to the general investing public, there is assigned personnel in the Group who is in-charge of addressing inquiries from shareholders, investors and the public.

Prior to the Disposal of Subsidiary Companies, Mr. Woon Chong Boon, aged 44, 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.

On 9 November 2012, the above position has been taken over by Mr. Lee Choon Meng, aged 41, who is the Financial Controller / Head of Finance of the Company. He is a fellow member of the Association of Chartered Certified Accountants (ACCA) – United Kingdom, a member of Malaysian Institute of Accountants (MIA) as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA). Mr. Lee joined OSK Group as an Accountant under Group Finance and Administration in December 2003. Later in January 2007, he was re-designated as Vice President until January 2011 when he was promoted to Senior Vice President. During the tenure, he was responsible for full spectrum of the financial reporting and management for OSK Property Holdings Berhad and OSK Ventures International Berhad groups of companies in the earlier years in OSK Group and he also headed the Group Reporting and Tax of the Company and OSK Investment Bank Berhad groups of companies until 9 November 2012. Prior to joining OSK Group, he was attached to a professional firm for about 7 years and his last position was Assistant Audit Manager. He was in charge of audit of public listed groups and tax matters for various industries.

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

STATEMENT ON CORPORATE GOVERNANCE

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

k) Investors Relations (Cont'd)

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

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 will continue to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and in line with the 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 website. The Audit Committee also reviews the appropriateness of the Company's and Group's accounting policies and the changes to these policies as well as ensures the financial statements comply with accounting standards and other regulatory requirements.

The details of the financial statements of the Company are set out on pages 53 to 232 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 Disclosures on pages 49 to 51 and the Notes to Financial Statements on pages 165 to 168 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 recognises 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 aim to provide reasonable assurance against material misstatements, losses and fraud.

Prior to the Disposal of Subsidiary Companies, 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.

In addition, 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 60, 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.

<u>Legal Affairs</u>

Ms. Shanti Anne SanKey, aged 47, 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 20 years of working experience in the legal and financial industry.

B. ACCOUNTABILITY AND AUDIT (CONT'D)

c) Internal Control (Cont'd)

Risk Management

Ms. Grace Lim Wooi Teen, aged 50, 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 48, 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.

Subsequent to the Disposal of Subsidiary Companies, the internal audit function has been outsourced to a professional firm.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is set out on pages 46 to 48 of this Annual Report.

d) Relationship with Auditors

The Board has established formal and transparent relationships with both the internal and external auditors respectively 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. In addition, the external auditors are invited to attend the AGM and are available to answer the shareholders' questions relating to the audited financial statements.

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:

2012	**Group RM'000**	**Company RM'000**
Audit fees paid to external auditors:		
- Parent auditors and affiliates	338	114
- Other auditors	652	-
Total	990	114
* Non-audit fees paid to external auditors	126	71

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

***Non-audit fees**	**Group RM'000**	**Company RM'000**
OSKH - Reporting accountants' report on proforma financial statements	60	60
OSKH - Scrutineers at Extraordinary General Meeting	8	8
OSKH - Review of Statement on Risk Management and Internal Control	3	3
OSKIB - Review of collective impairment methodology	55	-

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

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES

To assist 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 2012 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 44 to 45 of this Annual Report. In addition to the activities set out in the Audit Committee Report, the Audit Committee has reviewed and recommended to the Board for adoption, the Policy and Guidelines on the Performance Evaluation of External Auditors to assess the suitability and independence of external auditors.

b) Remuneration Committee

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

Composition

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

Members — Foo San Kan
Senior Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Chief Executive Officer / Group Managing 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 staff.

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.

Functions and Duties

(I) Remuneration Framework

- To recommend a framework of remuneration for directors, CEO and key senior management staff for the full Board's approval;
- The remuneration framework shall support the Company's culture, objectives and strategy and shall reflect the experience, level of responsibility and commitment undertaken by the directors, CEO and senior management staff;
- 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 aspects of remuneration including director's fees, salaries, allowance, bonuses, options, benefits-in-kind and termination/retirement benefits.

(II) Remuneration Packages

- To review and recommend remuneration packages for the executive directors, CEO and each individual directors;
- 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;

C. BOARD COMMITTEES (CONT'D)

b) Remuneration Committee (Cont'd)

Functions and Duties (Cont'd)

(II) Remuneration Packages (Cont'd)

- The remuneration of each Board member may differ based on their level of expertise, knowledge and experience. For executive directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. As for non-executive 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 remuneration packages of non-executive directors shall be determined by the full Board. The Director(s) concerned shall abstain from discussion of his own remuneration.

Frequency of Meeting

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

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

Members	Attendance
Dato' Abdul Majit bin Ahmad Khan	1/1
Foo San Kan	1/1
Tan Sri Ong Leong Huat @ Wong Joo Hwa	1/1

The key activity undertaken by the Remuneration Committee during the year was to review and propose the Directors' fees for the year 2011.

c) Nominating Committee

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

Composition

Chairman — Foo San Kan
Senior Independent Non-Executive Director

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

Dr. Ngo Get Ping
Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

Authority

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

Functions and Duties

(I) Establish Minimum Requirements for the Board, CEO and Key Senior Management Staff;

- To establish minimum requirements for the board i.e. required mix of skills, experience, qualification and other core competencies required of a director;
- To establish minimum requirements for the CEO and key senior management staff; 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)

(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 staff;
- Annual assessment shall be conducted based on an objective performance criterion and the performance criteria shall be approved by the full Board;
- To establish an appropriate framework or policy on succession planning for Executive Director and/or senior management staff; and
- The succession planning framework or policy 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 and key senior management staff;
- The actual decision as to who shall be nominated shall be the responsibility of the full Board;
- 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 staff if they are ineffective, errant and negligent in discharging their responsibilities.

(IV) Overseeing the Board and Key Senior Management Staff

- To oversee the overall composition of the board, in terms of the appropriate size and skills, experiences and other qualities including core competencies which Non-Executive Directors should bring to the Board, the independency of each Independent Director, the balance between Executive Directors, Non-Executive Directors and Independent Directors as well as the proportion of female to male Board members through annual review;
- To ascertain "independency" of Independent Directors pursuant to the criteria as set out in the Listing Requirements of Bursa Malaysia Securities Berhad;
- To oversee the appointment, management succession planning and performance evaluation of key senior management staff; and
- To ensure that all directors receive an appropriate continuous training program in order to keep abreast with the latest development in the industry.

Frequency of Meeting

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

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

Members	Attendance
Foo San Kan	2/2
Dato' Abdul Majit bin Ahmad Khan	2/2
Dr. Ngo Get Ping	2/2
Tan Sri Ong Leong Huat @ Wong Joo Hwa *(Re-designated as the Chief Executive Officer / Group Managing Director of the Company on 9 November 2012)*	2/2
Wong Chong Kim	1/2

C. BOARD COMMITTEES (CONT'D)

c) Nominating Committee (Cont'd)

Frequency of Meeting (Cont'd)

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

- 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;
- to ascertain the "fit and proper" criteria of each of the Directors;
- to review the training programmes attended by Directors during the financial year;
- to recommend to the Board of Directors the re-election of the Directors who will be retiring at the forthcoming AGM of the Company;
- to assess and recommend the re-designation of a Non-Executive Director; and
- to assess and recommend the appointment of Chief Financial Controller of the Company.

d) Risk Management Committee

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

Composition

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

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

— Wong Chong Kim
Non-Independent Non-Executive Director

Authority

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

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.

STATEMENT ON CORPORATE GOVERNANCE

C. BOARD COMMITTEES (CONT'D)

d) Risk Management Committee (Cont'd)

Functions and Duties (Cont'd)

- 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.

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.

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

Members	Attendance
Dr. Ngo Get Ping	4/4
Dato' Abdul Majit bin Ahmad Khan	4/4
Wong Chong Kim	3/4

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
(Dissolved on 28 February 2013)

The ESOS Committee comprises entirely of Non-Executive Directors:

Composition

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

Members — 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.

C. BOARD COMMITTEES (CONT'D)

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

Authority (Cont'd)

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.

Functions and Duties

- To select for participation and the quantity of allocation under the Scheme on the basis of the performance of any Eligible Grantee, the performance of his business unit/department/division/subsidiary and the overall performance of the OSK Group.
- 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 to 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 in 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 additional 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.

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.

There was one (1) meeting held during the financial year. The attendance 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.

After the expiration of the Scheme on 17 February 2013, the ESOS Committee has been dissolved on 28 February 2013.

This Statement on Corporate Governance was approved by the Board of Directors of the Company on 7 March 2013.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2012.

MEMBERSHIP

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

Chairman – Foo San Kan
Senior Independent Non-Executive Director

Members – Dr Ngo Get Ping
Independent Non-Executive Director

Wong Chong Kim
Non-Independent Non-Executive Director

ATTENDANCE OF MEETINGS

During the financial year ended 31 December 2012, the Committee held a total of four (4) meetings. The details of attendance of the Committee members are as follows:-

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

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 & Finance and the representatives of the external auditors, are invited to attend the Committee meetings held during the financial year ended 31 December 2012.

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.

Summary of Main Duties and Responsibilities

1. To oversee the functions of the Internal Audit 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. Met with the Head of Group Internal Audit without the presence of the Management and there was no private issue.

Financial Reporting

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

External Audit

1. Reviewed the Limited 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 2012 amounted to RM2.74 million.

On 9 November 2012, the disposal of 100% equity interest in OSK Investment Bank Berhad, the major subsidiary of the Company, to RHB Capital Berhad by the Company had been completed. Upon the completion of the said disposal, OSK Investment Bank Berhad was no longer a wholly owned subsidiary of the Company. The Company has outsourced its internal audit function to an external professional firm subsequent to the disposal of OSK Investment Bank Berhad.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires listed companies to establish a sound risk management framework and internal control systems. The Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements require directors of public listed companies to include a statement in their annual reports on the state of their internal controls. The following statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines") which is issued by the Taskforce on Internal Control with the support and endorsement of the Bursa Securities.

RESPONSIBILITY OF THE BOARD

The Board recognises the importance of a sound risk management framework and internal control systems 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 system 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 controls 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

Up until 9 November 2012, the principal activities of the Group are stockbroking, futures and options broking, corporate advisory, underwriting services, debt securities, interbank market activities, foreign exchange, corporate loans, deposit-taking derivatives and structured products, commercial banking, Islamic banking, unit trusts, nominee services, trustee services, asset management services, and capital financing.

On 9 November 2012 (being "the Completion Date"), the Group completed the Disposal of Subsidiary Companies to RHB Capital Berhad ("RHBC").

Subsequent to the Disposal of Subsidiary Companies, the principal activities of the Group are investment holdings, capital financing and properties investment.

The risk exposure faced by the Group during the financial year, including prior to the Completion Date, 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. Prior to the Completion Date, market risk normally arose from equities, fixed-income securities, commodities, foreign currencies exchange and derivative and structured products offered. The Group was exposed to market risks from market-making activities, proprietary position-taking activities and investments activities both locally and overseas.
- Subsequent to the Disposal of Subsidiary Companies, the market risk would encompass interest rates fluctuation and the value of the collateral received due to market fluctuation.

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, shares margin / capital 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, non-compliance with regulatory requirements, management failure, unauthorised activities and frauds.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Risk Management Framework

The Board has established a proper risk management framework that ensures an ongoing process for identifying, evaluating, managing and reporting the significant risks that may affect the achievement of the Group's business objectives. This process has been in place throughout the year under review and up to the date of approval of this report. This process is carried out via the following risk management governance structure:-

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Board of Directors**

  The Board is fully responsible for the risk management of the Group and to determine the Group's risk appetite and level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets.

  The Board 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.

- **The Committees**

  Various committees have been established to review the adequacy and effectiveness of risk management and internal control of the Group. Specific responsibilities have been delegated to these Committees, all of which have written terms of references. These committees have the authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required.

  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. Prior to the Completion Date of the Disposal of Subsidiary Companies, the Audit Committee assumed its roles and responsibilities via the Group Internal Audit Department. Subsequent to the Disposal of Subsidiary Companies, the Group has appointed an external professional firm to support the internal audit function of the Group.

  In addition, the Risk Management Committee 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 committees set up in OSK Investment Bank Berhad, the wholly-owned subsidiary of the Company prior to the Disposal of Subsidiary Companies included:- 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**

  The key function of Middle Office Management is to ensure implementation and compliance of the Group's operational policies and procedures as well as regulatory requirements.

  Prior to the Completion Date, the Group Internal Audit Department, which reported directly to the Audit Committee, has evaluated the adequacy and effectiveness of the Group's risk management and internal control systems. 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 has developed and maintained 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 has played a vital role in ensuring compliance with the relevant rules and regulations. Subsequent to the Completion Date of the Disposal of Subsidiary Companies, the Group has appointed an external professional firm to take over and conduct the internal audit function of the Group and would engage external consultants to support the internal risk management and compliance functions, as and when required, prior to establishing/strengthening such functions in the existing key subsidiaries of the Group.

- **The Back Office Management**

  The Back Office Management has played an important role in ensuring that the above risk management process is being carried out on an ongoing basis. Prior to the Completion Date of the Disposal of Subsidiary Companies, the parties involved in the risk management process include the Corporate Credit Department and Credit Control and Supervision Department which are primarily responsible for managing credit risk related activities, and the Operations Department 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**

  Prior to the Completion Date of the Disposal of Subsidiary Companies, 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 as well as properties investment operated their daily activities within the policies, procedures and limits set up by the management.

  Subsequent to the Completion Date of the Disposal of Subsidiary Companies, the risk which originates from Front Office Management are related to capital financing and properties investment operated their daily activities within the policies, procedures and limits set up by the management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control Systems

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

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance to the Group;
- Recruitment of experienced, skilled and professional staff with the necessary calibre to fulfill the respective responsibilities and ensuring that adequate controls are in place;
- Clear group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, which is delegated as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report back to the Board with their recommendations;
- Documented policies, procedures and limits of Approving Authorities ("AA") for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. Such AA list is subject to periodic review either via Risk Management Committee or as and when there are changes due to special 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 effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery and 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 / an external professional firm appointed to conduct the internal audit function of the Group independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee on a regular basis. Where required, assurance is provided over the operation and validity of the system of internal controls in relation to the level of risk involved using risk based auditing methodology;
- The Audit Committee regularly convenes meetings to deliberate on the findings and recommendations for improvement by Group Internal Audit / an external professional firm appointed to support the internal audit function of the Group, 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 risk management and internal control system in the Group are adequate and have been effective in their functions, with no significant problems noted during the period under review.

The Board has also received assurance from the Chief Executive Officer and Chief Financial Officer prior to the Disposal of Subsidiary Companies that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group. Subsequent to the Completion Date of the Disposal of Subsidiary Companies, the Chief Executive Officer / Group Managing Director and Chief Financial Officer have given their assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group, while residing in the Group's key subsidiaries.

Moving forward, the Group will continue to identify operational risks, improve and enhance the existing risk management and internal control systems, taking into consideration the changing business environment.

Prior to the Completion Date of the Disposal of Subsidiary Companies the following were the associated companies of the Group, 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. Subsequent to the Completion Date of the Disposal of Subsidiary Companies, RHBC has become an associated company of the Group. This Statement does not cover the above companies.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for financial year ended 31 December 2012 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 internal control systems.

ADDITIONAL DISCLOSURES

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 2012 pursuant to the shareholders' mandate obtained at the Twenty-Second 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, LMSB (See Note 1)	2,109@
OSK Group	Annual fee, hosting fee, user access fee, website maintenance development and software development fee payable by OSK Group	Finexasia Group	OLH, WCK, KCM, OJY, OYS, OJX, OYC, OYM (See Note 2)	7,623^
OSKIB	Institutional unit trust agent commission payable by OSK-UOB Group	OSK-UOB Group	OLH, OYS, WCK, KCM, OJY, OJX, OYC, OYM (See Note 3)	1,883†
KHB	Office rental and parking fee by PJD Group	PJD Group	OLH, WCK, WAC, WCS, KCM, OJY, OYS, OJX, OYC, OYM, DCSB (See Note 4)	934#

Notes:-

@ Actual value incurred during the financial year ended 31 December 2012 for OSK Group including the actual value incurred from 1 January 2012 to 9 November 2012 for OSK Investment Bank Berhad ("OSKIB") Group and OSK Investment Bank (Labuan) Limited (collectively referred to as the "Subsidiary Companies"), being the completion date of Disposal of Subsidiary Companies.

^ Actual value incurred for the period from 1 January 2012 to 14 November 2012, being the completion date of disposal of 59.95% equity interest in Finexasia.com Sdn. Bhd. ("Finexasia.com") by OSK Venture Equities Sdn. Bhd. ("OSKVE"), a wholly-owned subsidiary of OSK Ventures International Berhad ("OSKVI").

† Actual value incurred from 1 January 2012 to 9 November 2012, being the completion date of Disposal of Subsidiary Companies.

All the tenures of office space are for a lease period of not more than three years. The rental is paid on monthly basis.

ADDITIONAL DISCLOSURES

The following disclosure is pursuant to the Circular to Shareholders dated 19 March 2012 :

(1) Tan Sri 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 Dindings Consolidated Sdn. Bhd. (DCSB). Puan Sri 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 Investment Management Berhad (OSK-UOB) is a 70%-owned subsidiary of OSKIB which is a wholly-owned subsidiary of OSK. OLH is a director of OSK and OSKIB 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.

(4) KE-ZAN Holdings Berhad (KHB) is a wholly-owned subsidiary of OSK. OLH and WCK are the brothers of WAC and Mr. Wong Chong Shee (WCS). WAC is a director and major shareholder of PJD. WCS is a director of PJD. KCM is a director and major shareholder of PJD and the spouse of OLH. OJX is a director of PJ Development Holdings Berhad (PJD), the son of OLH and KCM and the nephew of WCK, WAC and WCS. OLH is a director of OSK and KHB and a major shareholder of OSK. WCK is a director of OSK and KHB. OJY is a director of KHB, the son of OLH and KCM and the nephew of WCK, WAC and WCS.

DCSB is a major shareholder of PJD. WAC and KCM are both directors and substantial shareholders of DCSB.

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

The principal activities of the PJD Group comprise of investment holding, property development and construction, trading of building materials, operations and management of hotel and resorts, operation of timeshare business to the manufacturing of power cables and concrete wall panels.

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 2012.

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 / profit guarantee 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 2012.

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 2012.

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 2012 with information as follows:-

	During the financial year ended 31 December 2012	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	4,912,850	39,883,259
Total options or shares outstanding	-	-

Granted to Directors and Chief Executive	During the financial year ended 31 December 2012	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	2,437,500	5,075,000
Aggregate number of options or shares outstanding	-	-

Granted to Directors and senior management	During the financial year ended 31 December 2012	Since commencement of the ESOS on 21 May 2002
Aggregate maximum allocation in percentage	-	20.12
Actual percentage granted	-	11.35

The ESOS had subsequently expired on 17 February 2013.

STATUS OF UTILISATION OF PROCEEDS RAISED FROM THE DISPOSAL OF SUBSIDIARY COMPANIES

On 9 November 2012, the Company had completed the Disposal of Subsidiary Companies to RHB Capital Berhad ("RHBC") for a total disposal consideration of RM2,094.5 million satisfied through the issuance of 245.0 million new ordinary shares of RM1.00 each in RHBC and cash of RM222.7 million, including RM14.2 million arising from the final dividend price adjustment.

The status of utilisation of cash proceeds arising from the Disposal of Subsidiary Companies as at 31 December 2012 are summarised as follows :

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000
Expenses incurred on disposal	20,000	19,333	667
Working capital	202,700	203,367	(667)
	222,700	**222,700**	**-**

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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 Malaysian 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 2012, 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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries, associated companies and a jointly controlled entity are described in Note 43 to the financial statements and changes in composition of the Group are disclosed in Note 44 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 38, 43 and 44 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after tax	**957,378**	**1,427,051**
Profit after tax attributable to:		
- Owners of the Company	944,925	1,427,051
- Non-controlling interests	12,453	-
	957,378	**1,427,051**

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 other than the charges in accounting policies as disclosed in Note 2 and the disposal of subsidiary companies as disclosed in Note 38 to the financial statements.

DIVIDENDS AND TREASURY SHARES DISTRIBUTION

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

		RM'000
(a)	Final dividend of 2.0 sen per share less 25% income tax in respect of the preceding year ended 31 December 2011 was paid on 15 May 2012	14,118
(b)	First interim dividend of 2.5 sen per share less 25% income tax for the year ended 31 December 2012 was paid on 18 September 2012	18,092
(c)	Second interim dividend of 5.0 sen per share less 25% income tax for the year ended 31 December 2012 was paid on 20 December 2012	36,316
		68,526

(d) On 15 May 2012, the Company distributed 23,520,259 treasury shares together with the final dividend as mentioned in (a) above on a basis of one (1) treasury share for every forty (40) existing ordinary share of RM1.00 each held in the Company at a total cost of treasury shares of RM29,007,748.

DIVIDENDS AND TREASURY SHARES DISTRIBUTION (CONT'D)

The Board of Directors recommends a final dividend of 2.5 sen per share less 25% income tax (2011: 2.0 sen per share less 25% income tax and a distribution of one (1) treasury share for every forty (40) ordinary shares held). The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date to the final dividend shall be determined by the Board of Directors. 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 2013.

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
Tan Sri 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 33(b), 39(a) and 39(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 39(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 1.1.2012	Acquired	Disposed	As at 31.12.2012
Direct interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	285,951,158	9,023,778	-	294,974,936
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	16,388,100	409,702	-	16,797,802
Wong Chong Kim	1,844,158	622,666	-	2,466,824
Indirect interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa *<	16,758,919	1,183,069	-	17,941,988
Wong Chong Kim *<	931,117	323,277	-	1,254,394

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 1.1.2012	Granted	Exercised	As at 31.12.2012
Direct interest				
Tan Sri Ong Leong Huat @ Wong Joo Hwa	1,875,000	-	(1,875,000)	-
Wong Chong Kim	562,500	-	(562,500)	-

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

* Pursuant to Section 134(12)(c) of the Companies Act, 1965 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

Tan Sri 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 during the year, other than the wholly-owned subsidiary companies, are as follows:

	As at 1.1.2012	Acquired	Disposed*	As at 31.12.2012
OSK-UOB Investment Management Berhad, number of ordinary shares of RM1.00 each	7,000,000	-	(7,000,000)	-
OSK-UOB Islamic Fund Management Berhad, number of ordinary shares of RM1.00 each	6,370,000	-	(6,370,000)	-
DMG & Partners Securities Pte Ltd, number of ordinary shares/amount (SGD)	38,250,000	-	(38,250,000)	-
OSK Holdings Hong Kong Limited, number of ordinary shares of HKD1 each	187,000,000	-	(187,000,000)	-
PT OSK Nusadana Securities Indonesia, number of ordinary shares of IDR1,000,000 each	104,082	-	(104,082)	-
PT OSK Nusadana Asset Management, number of ordinary shares of IDR1,000,000 each	25,402	-	(25,402)	-
OSK Securities (Thailand) Public Company Limited, number of ordinary shares of THB1 each	797,389,735	580,600	(797,970,335)	-

* Disposed pursuant to the disposal of OSK Investment Bank Berhad ("OSKIB") which was completed on 9 November 2012 as disclosed in Note 38 to the financial statements.

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 27 to the financial statements. The Company has not issued any debentures during the year.

EXECUTIVE SHARE OPTION SCHEME

The details of the ESOS, which expired on 17 February 2013, are disclosed in Note 27 to the financial statements.

TREASURY SHARES

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

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position, income statements and statements of comprehensive income 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 be realised in the ordinary course of business including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) 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; and

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the year, other than those arising in the normal course of business of the Group and of the Company.

(f) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the year which, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

No material events occurred subsequent to the date of statements of financial position.

AUDITORS

The auditors, Messrs. Ernst & Young, do not wish to seek re-appointment. Accordingly, another firm of auditors will be nominated for appointment at the forthcoming Annual General Meeting of the Company.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 February 2013.

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Tan Sri Ong Leong Huat @ Wong Joo Hwa

Kuala Lumpur, Malaysia
28 February 2013

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Nik Mohamed Din bin Datuk Nik Yusoff and Tan Sri 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 62 to 231 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2012 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 53 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 2013.

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

Kuala Lumpur, Malaysia
28 February 2013

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

I, Lee Choon Meng, being the officer primarily responsible for the financial management of OSK Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 62 to 232 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 above named Lee Choon Meng
at Kuala Lumpur in the Federal Territory
on 28 February 2013

Lee Choon Meng

Before me,

Kuala Lumpur, Malaysia
28 February 2013

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 2012 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 information, as set out on pages 62 to 231.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 about 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 have been properly kept in accordance with the provisions of the Act.

(b) 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.

(c) The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 53 on page 232 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.

OTHER MATTERS

1. As stated in Note 2(a) to the financial statements, OSK Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and the financial performance and cash flows for the year then ended.

2. 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 2013

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Group As at 31.12.12 RM'000	Group As at 31.12.11 RM'000	Group As at 1.1.11 RM'000	Company As at 31.12.12 RM'000	Company As at 31.12.11 RM'000	Company As at 1.1.11 RM'000
ASSETS							
Cash and short term funds	5	775	1,387,153	699,095	39	2,546	4,306
Deposits and placements with a bank	6(a)	-	50,000	-	-	-	-
Securities purchased under resale agreements	6(b)	-	-	111,486	-	-	-
Securities portfolio							
- Held-for-trading	7(a)	26,031	313,340	648,996	25,917	25,329	23,844
- Held-to-maturity	7(b)	-	639,896	662,427	-	-	-
- Available-for-sale	7(c)	165	3,230,790	2,795,866	-	-	-
		26,196	4,184,026	4,107,289	25,917	25,329	23,844
Derivative financial assets	8	-	8,401	90,297	-	-	-
Loans, advances and financing	9	313,363	1,655,358	1,360,557	-	-	-
Tax recoverable		9,827	10,805	6,930	3,908	3,879	5,987
Trade receivables	10	673	1,464,140	1,997,323	-	-	-
Other assets	11	9,498	121,462	96,236	174,821	1,945	18,600
Statutory deposits with Central Banks	12	-	213,334	69,678	-	-	-
Deferred tax assets	13(a)	2,379	8,639	481	-	-	-
Investments in subsidiary companies	14	-	-	-	318,284	1,021,666	1,010,020
Investments in associated companies and a jointly controlled entity	15	1,905,100	23,394	21,146	1,871,800	-	-
Investment properties	16	349,650	149,000	134,000	-	-	-
Property and equipment	17	8,672	199,754	184,441	4	1	2
Intangible assets	18	131	232,037	223,888	127	69	38
TOTAL ASSETS		**2,626,264**	**9,707,503**	**9,102,847**	**2,394,900**	**1,055,435**	**1,062,797**

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONT'D)

		Group			Company		
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
LIABILITIES							
Deposits from customers	19	-	4,739,915	3,884,388	-	-	-
Deposits and placements of banks and other financial institutions	20	-	658,749	669,769	-	-	-
Obligations on securities sold under repurchase agreements	21	-	291,083	-	-	-	-
Derivative financial liabilities	22	-	108,867	149,749	-	-	-
Trade payables	23	-	1,287,089	1,746,928	-	-	-
Other liabilities	24	24,188	205,821	209,423	77,325	101,291	65,423
Tax payable		277	11,182	23,878	-	-	-
Deferred tax liabilities	13(b)	32	4,106	4,631	-	4	686
Borrowings	25	156,650	239,117	410,619	-	-	4,434
Subordinated notes	26	-	400,000	300,000	-	-	-
TOTAL LIABILITIES		**181,147**	**7,945,929**	**7,399,385**	**77,325**	**101,295**	**70,543**
EQUITY							
Share capital	27	969,058	964,145	962,211	969,058	964,145	962,211
Less: Treasury shares	28	(784)	(29,789)	(29,785)	(784)	(29,789)	(29,785)
		968,274	934,356	932,426	968,274	934,356	932,426
Reserves	29	1,476,843	526,030	526,295	1,349,301	19,784	59,828
Equity attributable to owners of the Company		2,445,117	1,460,386	1,458,721	2,317,575	954,140	992,254
Non-controlling interests		-	301,188	244,741	-	-	-
TOTAL EQUITY		**2,445,117**	**1,761,574**	**1,703,462**	**2,317,575**	**954,140**	**992,254**
TOTAL LIABILITIES AND EQUITY		**2,626,264**	**9,707,503**	**9,102,847**	**2,394,900**	**1,055,435**	**1,062,797**

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Revenue					
- Continuing Operations		41,849	28,954	79,765	7,821
- Discontinued Operations	38(c)	865,240	1,022,430	-	-
		907,089	**1,051,384**	**79,765**	**7,821**
Interest income	30	20,758	15,757	464	31
Interest expense	31	(10,284)	(6,934)	(1,668)	(2,854)
Net interest income/(expense)		10,474	8,823	(1,204)	(2,823)
Non-interest income	32	21,091	28,197	88,964	16,642
Other operating expenses	33(a)	(23,335)	(12,308)	(11,490)	(1,227)
(Allowance for)/write back of impairment losses on loans, advances and financing	34(a)	(25,942)	1,644	-	-
Allowance for impairment losses on investments and intangible asset	34(b)	(166)	-	(8,516)	-
Share of profits of an associated company		32,911	-	-	-
Profit before tax from Continuing Operations		15,033	26,356	67,754	12,592
Income tax (expense)/benefit and zakat	35	(500)	(5,054)	(10,542)	192
Profit after tax for the year					
- Continuing Operations		14,533	21,302	57,212	12,784
- Discontinued Operations	38(c)	942,845	51,815	1,369,839	-
		957,378	**73,117**	**1,427,051**	**12,784**
Profit after tax attributable to:					
Owners of the Company					
- Continuing Operations		14,533	21,302	57,212	12,784
- Discontinued Operations	38(c)	930,392	31,449	1,369,839	-
		944,925	52,751	1,427,051	12,784
Non-controlling interests					
- Discontinued Operations	38(c)	12,453	20,366	-	-
		957,378	**73,117**	**1,427,051**	**12,784**
Earnings per share attributable to owners of the Company (sen):					
Basic					
- Continuing Operations	36(a)	1.52	2.27		
- Discontinued Operations	36(a)	97.22	3.35		
	36(a)	**98.74**	**5.62**		
Diluted					
- Continuing Operations	36(b)	1.52	2.26		
- Discontinued Operations	36(b)	97.22	3.34		
	36(b)	**98.74**	**5.60**		

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit after tax for the year					
- Continuing Operations		14,533	21,302	57,212	12,784
- Discontinued Operations	38(c)	942,845	51,815	1,369,839	-
		957,378	73,117	1,427,051	12,784
Other comprehensive income for the year, net of tax					
- Continuing Operations					
Revaluation surplus of properties upon transfer from property and equipment to investment properties	16	80,337	-	-	-
Share of reserves in an associated company		555	-	-	-
		80,892	-	-	-
- Discontinued Operations	38(d)	5,201	8,853	-	-
		86,093	8,853	-	-
Total comprehensive income for the year, net of tax		**1,043,471**	**81,970**	**1,427,051**	**12,784**
Total comprehensive income attributable to:					
Owners of the Company					
- Continuing Operations		95,425	21,302	57,212	12,784
- Discontinued Operations	38(d)	941,193	29,434	1,369,839	-
		1,036,618	50,736	1,427,051	12,784
Non-controlling interests					
- Discontinued Operations	38(d)	6,853	31,234	-	-
		1,043,471	**81,970**	**1,427,051**	**12,784**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Group

	Non-Distributable													
	Attributable to owners of the Company													
	Continuing Operations					Discontinued Operations							Discontinued Operations	
	Share capital (Note 27) RM'000	Distributable treasury shares (Note 28) RM'000	Equity compen-sation reserve (Note 29) RM'000	Revaluation reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Statutory reserves (Note 29) RM'000	Profit equalisation reserve of Islamic banking operations [Note 49(d)] RM'000	Foreign exchange reserves (Note 29) RM'000	Available -for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Distributable retained profits (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2012														
As reported under FRS	964,145	(29,789)	581	-	-	239,537	-	(12,991)	(10,269)	(846)	298,671	1,449,039	301,188	1,750,227
Adoption of Revised BNM/GP3 and MFRS 139	-	-	-	-	-	-	-	-	-	-	11,347	11,347	-	11,347
As reported under MFRS	964,145	(29,789)	581	-	-	239,537	-	(12,991)	(10,269)	(846)	310,018	1,460,386	301,188	1,761,574
Comprehensive income/(loss)														
- Continuing Operations	-	-	-	80,337	555	-	-	-	-	-	95,425	176,317	-	176,317
- Discontinued Operations	-	-	-	-	-	-	-	(15,682)	27,413	(213)	848,783	860,301	6,853	867,154
Total comprehensive income/(loss)	-	-	-	80,337	555	-	-	(15,682)	27,413	(213)	944,208	1,036,618	6,853	1,043,471
Continuing Operations														
Dividends paid to owners of the Company (Note 37)	-	-	-	-	-	-	-	-	-	-	(68,526)	(68,526)	-	(68,526)
Distribution of treasury shares (Note 28)	-	29,008	-	-	-	-	-	-	-	-	(29,008)	-	-	-
Share issued pursuant to exercise of ESOS (Note 27)	4,913	-	-	-	-	-	-	-	-	-	-	4,913	-	4,913
Share buybacks by the Company (Note 28)	-	(3)	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(581)	-	-	-	-	-	-	-	581	-	-	-
Share of associate's acquisition of additional shares from its non-controlling interests	-	-	-	-	-	-	-	-	-	-	2	2	-	2

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

Group (Cont'd)

	Non-Distributable													
	Attributable to owners of the Company													
			Continuing Operations			Discontinued Operations							Discontinued Operations	
	Share capital (Note 27) RM'000	Distributable treasury shares (Note 28) RM'000	Equity compen-sation reserve (Note 29) RM'000	Revaluation reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Statutory reserves (Note 29) RM'000	Profit equalisation reserve of Islamic banking operations [Note 49(d)] RM'000	Foreign exchange reserves (Note 29) RM'000	Available -for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Distributable retained profits (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Discontinued Operations														
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(9,077)	(9,077)
Loss on deemed disposals arising from dilution of interest in an associated group	-	-	-	-	-	-	-	-	-	-	(80)	(80)	-	(80)
Accretion on additional interest in a subsidiary company	-	-	-	-	-	-	-	-	-	-	6	6	(6)	-
Acquisition of additional shares from non-controlling interests [Note 44(c)]	-	-	-	-	-	-	-	-	-	-	-	-	(142)	(142)
Transfer from other liabilities due to the adoption of BNM's Revised Guidelines for Profit Equalisation Reserves ("PER")	-	-	-	-	-	-	-	-	-	-	272	272	-	272
Transfer to PER reserve	-	-	-	-	-	-	272	-	-	-	(272)	-	-	-
Transfer to statutory reserves	-	-	-	-	-	23,444	-	-	-	-	(23,444)	-	-	-
Reclassification of reserves upon disposal of subsidiary companies	-	-	-	-	-	(262,981)	(272)	-	-	1,059	262,194	-	-	-
Reclassification adjustments upon disposal of subsidiary companies [Note 38(b)]	-	-	-	-	-	-	-	28,673	(17,144)	-	-	11,529	(298,816)	(287,287)
Total transactions with owners	4,913	29,005	(581)	-	-	(239,537)	-	28,673	(17,144)	1,059	141,725	(51,887)	(308,041)	(359,928)
As at 31 December 2012	**969,058**	**(784)**	**-**	**80,337**	**555**	**-**	**-**	**-**	**-**	**-**	**1,395,951**	**2,445,117**	**-**	**2,445,117**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

Group (Cont'd)

	Non-Distributable										
	Attributable to owners of the Company										
	Continuing Operations			Discontinued Operations						Discontinued Operations	
	Share capital (Note 27) RM'000	Distributable treasury shares (Note 28) RM'000	Equity compensation reserve (Note 29) RM'000	Statutory reserve (Note 29) RM'000	Foreign exchange reserves (Note 29) RM'000	Available-for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Distributable retained profits (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2011											
As reported under FRS	962,211	(29,785)	779	228,992	(20,652)	(1,439)	-	308,604	1,448,710	244,741	1,693,451
Adoption of Revised BNM/GP3 and MFRS 139	-	-	-	-	-	-	-	10,011	10,011	-	10,011
As reported under MFRS	962,211	(29,785)	779	228,992	(20,652)	(1,439)	-	318,615	1,458,721	244,741	1,703,462
Comprehensive income/(loss)											
- Continuing Operations	-	-	-	-	-	-	-	21,302	21,302	-	21,302
- Discontinued Operations	-	-	-	-	7,661	(8,830)	(846)	31,449	29,434	31,234	60,668
Total comprehensive income/(loss)	-	-	-	-	7,661	(8,830)	(846)	52,751	50,736	31,234	81,970

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

Group (Cont'd)

	Non-Distributable / Attributable to owners of the Company – Continuing Operations			Discontinued Operations						Discontinued Operations	
	Share capital (Note 27) RM'000	Distributable treasury shares (Note 28) RM'000	Equity compen-sation reserve (Note 29) RM'000	Statutory reserve (Note 29) RM'000	Foreign exchange reserves (Note 29) RM'000	Available -for-sale reserves (Note 29) RM'000	Other reserve (Note 29) RM'000	Distributable retained profits (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Continuing Operations											
Dividends paid to owners of the Company (Note 37)	-	-	-	-	-	-	-	(52,828)	(52,828)	-	(52,828)
Share issued pursuant to exercise of ESOS (Note 27)	1,934	-	-	-	-	-	-	-	1,934	-	1,934
Share buybacks by the Company (Note 28)	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(198)	-	-	-	-	198	-	-	-
Discontinued Operations											
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(11,936)	(11,936)
Accretion on deemed disposals arising from dilution of interest in an 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	-	-	-	-	-	-	-	-	-	103,724	103,724
Accretion on acquisition of a subsidiary company	-	-	-	-	-	-	-	-	-	(43)	(43)
Acquisition of additional shares from non-controlling interests	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	32,070	32,070
Transfer to statutory reserve	-	-	-	10,545	-	-	-	(10,545)	-	-	-
Total transactions with owners	1,934	(4)	(198)	10,545	-	-	-	(61,348)	(49,071)	25,213	(23,858)
As at 31 December 2011	**964,145**	**(29,789)**	**581**	**239,537**	**(12,991)**	**(10,269)**	**(846)**	**310,018**	**1,460,386**	**301,188**	**1,761,574**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

Company

			Non- Distributable		
	Share capital (Note 27)	Distributable treasury shares (Note 28)	Equity compensation reserve (Note 29)	Distributable retained profits (Note 29)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2012	964,145	(29,789)	581	19,203	954,140
Comprehensive income					
- Continuing Operations	-	-	-	57,212	57,212
- Discontinued Operations	-	-	-	1,369,839	1,369,839
Total comprehensive income	-	-	-	1,427,051	1,427,051
Dividends paid to owners of the Company (Note 37)	-	-	-	(68,526)	(68,526)
Share issued pursuant to exercise of ESOS (Note 27)	4,913	-	-	-	4,913
Share buybacks by the Company (Note 28)	-	(3)	-	-	(3)
Distribution of treasury shares (Note 28)	-	29,008	-	(29,008)	-
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(581)	581	-
Total transactions with owners	4,913	29,005	(581)	(96,953)	(63,616)
As at 31 December 2012	**969,058**	**(784)**	**-**	**1,349,301**	**2,317,575**
As at 1 January 2011	962,211	(29,785)	779	59,049	992,254
Total comprehensive income					
- Continuing Operations	-	-	-	12,784	12,784
Dividends paid to owners of the Company (Note 37)	-	-	-	(52,828)	(52,828)
Share issued pursuant to exercise of ESOS (Note 27)	1,934	-	-	-	1,934
Share buybacks by the Company (Note 28)	-	(4)	-	-	(4)
Reserve reversed upon exercise and forfeiture of ESOS	-	-	(198)	198	-
Total transactions with owners	1,934	(4)	(198)	(52,630)	(50,898)
As at 31 December 2011	**964,145**	**(29,789)**	**581**	**19,203**	**954,140**

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax from					
- Continuing operations		15,033	26,356	67,754	12,592
- Discontinued operations	38(c)	972,621	68,659	1,369,839	-
Profit before tax, total		987,654	95,015	1,437,593	12,592
Adjustments for:					
Interest income		(8,524)	(25,802)	(464)	(31)
Interest expense		11,196	7,671	1,668	2,854
Gross dividend income		(2,477)	(2,997)	(78,713)	(11,932)
(Gain)/loss arising from sales of securities and derivatives		(54,454)	(90,723)	851	(731)
Unrealised loss/(gain) on:					
- revaluation of securities held-for-trading		20,211	(15,840)	(1,777)	4,590
- revaluation of derivative financial instruments		(37,143)	21,825	-	-
- foreign exchange		12,387	26,393	382	-
Gain on disposal of subsidiary companies	38(b)	(857,686)	-	(1,369,839)	-
Gain on revaluation of an investment property	32(f)	-	(15,000)	-	-
Net loss on disposal of property and equipment	33(b)	575	23	-	-
Gain on disposals of intangible assets	33(b)	-	(2,197)	-	-
Impairment loss on goodwill on consolidation	33(b)	166	-	-	-
Impairment loss on subsidiary companies	33(b)	-	-	8,516	-
Depreciation and amortisation	33(b)	21,199	21,155	1	1
Equipment written off	33(b)	17	20	-	-
Reversal of interest cost for legal suits		-	(1,015)	-	-
(Write back of)/allowance for impairment losses (net):					
- receivables		(195)	2,389	-	-
- loans, advances and financing		25,324	(16)	-	-
Bad debts written off		221	2,247	-	-
(Write back of)/allowance for impairment losses on investments	38(c)	(12,711)	70,083	-	-
Balance carried forward		105,760	93,231	(1,782)	7,343

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)					
Balance brought forward		105,760	93,231	(1,782)	7,343
Financial guarantee income capitalised as investment in subsidiary companies	32(f)	-	-	(9,663)	(8,852)
Transfer to profit equalisation reserves	49(b)	-	1,289	-	-
Net provision for profit equalisation reserve	49(b)	20	-	-	-
Dilution of interests from subscription of additional shares in a subsidiary company by non-controlling interests		-	22	-	-
Loss on members' voluntary winding up of subsidiary companies	33(b)	-	455	-	78
Negative goodwill on acquisition of a subsidiary company		-	(87)	-	-
Share of profits of associated companies		(35,208)	(2,802)	-	-
Operating profit/(loss) before working capital changes		70,572	92,108	(11,445)	(1,431)
(Increase)/Decrease in operating assets:					
Cash held in segregated accounts		(619)	(868)	-	-
Deposits and placements with a bank		(62,049)	(50,000)	-	-
Securities purchased under resale agreements		-	111,486	-	-
Securities held-for-trading		(121,242)	355,832	(44)	(5,344)
Securities held-to-maturity		142,599	(20,062)	-	-
Securities available-for-sale		(542,621)	(376,621)	-	-
Derivative financial assets		(89,987)	74,238	-	-
Loans, advances and financing		(660,023)	(296,835)	-	-
Trade and other receivables		(1,038,360)	533,445	(24)	3,479
Security deposits and statutory fund		61	733	-	-
Amounts due from subsidiary companies		-	-	(172,804)	13,176
Statutory deposits with Central Banks		(22,043)	(143,656)	-	-
Increase/(Decrease) in operating liabilities:					
Deposits from customers		1,226,414	855,528	-	-
Deposits and placements of banks and other financial institutions		191,931	(11,020)	-	-
Obligations on securities sold under repurchase agreements		(56,001)	291,083	-	-
Obligations on securities borrowed		99,678	-	-	-
Derivative financial liabilities		(34,395)	43,114	-	-
Trade and other payables		864,632	(479,320)	15,320	79
Amounts due to:					
- subsidiary companies		-	-	(34,821)	35,077
- associated group/companies		(5,662)	(759)	(48)	-
Cash (used in)/generated from operations		(37,115)	978,426	(203,866)	45,036
Income tax paid		(61,263)	(50,241)	-	-
Refund of income tax		78	4,040	-	4,040
Net cash (used in)/generated from operating activities		(98,300)	932,225	(203,866)	49,076

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 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		-	(20,529)	-	-
Net cash (outflow)/inflow arising from disposal of subsidiary companies	38(g)	(1,232,868)	-	-	-
Acquisition of additional investment in:					
- subsidiary companies		-	-	-	(2,169)
- an associated company	44(b)	(700)	(2,000)	-	-
Acquisition of shares from non-controlling interests	44(c)	(142)	(98,487)	-	-
Investments in a jointly controlled entity		-	(10)	-	-
Subscription of shares in subsidiary company by non-controlling interests		-	25	-	-
Dividends received		2,589	6,142	68,137	9,509
Interest received		-	31	463	31
Payment for trademarks		(57)	(31)	(57)	(31)
Payment for trading rights	18(c)	(25)	-	-	-
Proceeds from disposals of:					
- property and equipment		391	624	-	-
- intangible assets		-	2,962	-	-
- disposal of subsidiary companies net off expenses incurred (part consideration)		-	-	198,104	-
Capital repayment from a subsidiary company in Members' Voluntary Liquidation		-	-	-	10
Purchase of:					
- equipment	17	(20,890)	(33,210)	(4)	-
- software licences	18(f)	(15,014)	(9,217)	-	-
Net cash (used in)/generated from investing activities		(1,266,716)	(153,708)	266,643	7,350

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONT'D)

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to:					
- non-controlling interests		(9,077)	(11,936)	-	-
- owners of the Company	37	(68,526)	(52,828)	(68,526)	(52,828)
Drawdown/(repayment) of revolving credits		124,581	(167,189)	-	-
Interest paid		(11,196)	(7,671)	(1,668)	(2,854)
Repayment of term loans		-	(4,435)	-	(4,434)
Share buybacks by the Company	28	(3)	(4)	(3)	(4)
Proceeds from issuance of:					
- subordinated notes		-	100,000	-	-
- shares pursuant to exercise of ESOS	27	4,913	1,934	4,913	1,934
Proceeds from subscription of shares by non-controlling interests		-	32,070	-	-
Net cash generated from/ (used in) financing activities		40,692	(110,059)	(65,284)	(58,186)
Net (decrease)/increase in cash and cash equivalents		(1,324,324)	668,458	(2,507)	(1,760)
Effects of exchange rate changes		(18,374)	18,611	-	-
Cash and cash equivalents at beginning of year		1,343,473	656,404	2,546	4,306
Cash and cash equivalents at end of year		**775**	**1,343,473**	**39**	**2,546**
Cash and cash equivalents at end of year comprised:					
Cash, bank balances and deposits					
- General accounts	5(a)	775	562,749	39	2,546
Money at call and deposits placements with maturities within one month	5(c)	-	780,846	-	-
Bank overdraft	25	-	(122)	-	-
		775	**1,343,473**	**39**	**2,546**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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 9th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

The Company is an investment holding company. The principal activities of the subsidiaries, associated companies and a jointly controlled entity are described in Note 43 to the financial statements and changes in composition of the Group are disclosed in Note 44 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 38, 43 and 44 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2013.

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, excepts for investment properties, securities held-for-trading, securities available-for-sale, 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. As at the reporting date, the financial statements have been prepared pursuant to the BNM/GP8 presentation as the significant portion of results and positions of the Group are contributed from the disposal of subsidiary companies as disclosed in Note 38, mainly consists of OSK Investment Bank Berhad ("OSKIB") group of companies and OSK Investment Bank (Labuan) Limited ("OSKL"). These financial statements are prepared in accordance with disclosure requirements under MFRS 5: Non-Current Assets Held for Sale and Discontinued Operations ("MFRS 5") as the disposal was completed on 9 November 2012.

(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 Malaysian Financial Reporting Standards ("MFRS") and Issues Committee ("IC") Interpretations in Malaysia. These financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

These are the Group's and the Company's first annual financial statements prepared in accordance with MFRS. For the periods up to and including the financial year ended 31 December 2011, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening statements of financial position as at 1 January 2011.

There are no financial impact arising from the transition to MFRS other than disclosed in Note 2(c) below.

(b) Adoption of Revised Guidelines for Profit Equalisation Reserve ("Revised PER") issued by BNM

On 19 May 2011, Bank Negara Malaysia issued its revised Guidelines on Profit Equalisation Reserve ("Revised PER"), which was effective for annual periods beginning on or after 1 July 2011. The Revised PER addresses the management of displaced commercial risk in Islamic banking operations.

The PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective. This is the same requirement as per the PER adopted prior to 1 January 2012 where the Group continued to allocate a portion of its profits into a PER. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statements. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH.

The creation of PER of the Islamic banking operations ("IBO") is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfers between reserves.

The adoption of Revised PER resulted in changes in presentation of PER of the IBO as disclosed in the Statements of Changes in Equity. This change in accounting policy is accounted for prospectively, and thereby had no financial effect on comparative figures.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(c) Adoption of BNM's Revised Guidelines for Classification and Impairment Provisions for Loans/ Financing ("Revised BNM/GP3") and MFRS 139: Financial Instruments - Recognition and Measurement ("MFRS 139")

The Group has adopted Revised BNM/GP3 which is effective for the financial year beginning on and after 1 January 2012. During the transitional period from 1 January 2010 to 31 December 2011, the banking institutions maintained collective impairment assessment allowance with the minimum rate of 1.5%. The Revised BNM/GP3 removes the transitional arrangement at the minimum rate of 1.5% and requires the banking institutions to ensure that the loan/financing impairment assessment and provisioning comply with the requirements specified under the financial reporting standard on financial instruments, i.e. MFRS 139. Under the Revised BNM/GP3 and requirements of MFRS 139 where a loan/financing that is individually assessed for impairment does not result in impairment allowance, the banking institution shall include the loan/financing in a group of loans/financing that has similar credit characteristics for collective assessment of impairment.

Under MFRS 139, an asset that has been individually assessed for impairment based on incurred loss approach and found not to be individually impaired should be included in a collective assessment of impairment. When performing a collective assessment of impairment, the Group pools assets by similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Contractual cash flows, historical loss experience and available peer credit data provide the basis for estimating expected cash flows. Historical loss rates are adjusted on the basis of relevant observable data that reflect current economic conditions. Collective assessment of impairment is made on any shortfall when comparing the discounted cash flows with the carrying value of the asset.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance and a write back of collective assessment allowance to the opening retained profits.

(d) Adoption of Financial Reporting Standards Implementation Committee Consensus 18: Monies Held in Trust By Participating Organisations of Bursa Malaysia Securities Berhad ("FRSIC Consensus 18")

On 18 September 2012, the Malaysian Institute of Accountants ("MIA") issued FRSIC Consensus 18 as a guidance to promote best practices in compliance with the highest standards in financial reporting.

Section 111 of Capital Markets and Services Act, 2007 ("CMSA 2007") and Rule 405 of the Bursa Securities Rules require a participating organisation of Bursa Securities to establish and keep to a minimum one trust account with a licensed financial institution. A participating organisation shall pay into the said trust account all amounts, less any brokerage and other proper charges, received for or on account of a client for:

(a) the purchase of securities; and
(b) the sale of securities by a client that are yet to be paid to the client.

In accordance with Section 113 of CMSA 2007, monies held in the trust account shall not be withdrawn except for the following purposes:

(a) payment to, or in accordance with the written instructions of the client;
(b) payment of brokerage and any other proper charges due from the client to the participating organisation; or
(c) other payments that is otherwise authorised by the law.

Monies held in the trust account shall not be available for payment of debts of the participating organisation or be liable to be paid or taken in execution under an order or process of any court.

The provisions contained in Section 113 of CMSA 2007 suggest that the rights of a participating organisation over trust monies do not exist and a participating organisation is prohibited to utilise the monies either for its own economic benefits or settlement of its own liability. The monies are also not available for distribution in the event the participating organisation is liquidated. As such, a participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies.

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

(d) Adoption of Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18: Monies Held in Trust By Participating Organisations of Bursa Malaysia Securities Berhad (Cont'd)

Although a participating organisation is required by CMSA 2007 and Bursa Securities Rules to maintain the trust account, it does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the participating organisation. However, a liability will be recognised in the event of a loss of the trust monies which would result in the payment of any compensation by the participating organisations to the client.

The Implementation Committee therefore opined that the recognition of the trust monies as part of the participating organisation's assets with corresponding liabilities is inappropriate from the context of MFRS.

In view of the above, the Group has disclosed monies held in trust and the corresponding liabilities separately in Note 38(f) as these are attributable to the discontinued operations. Hence certain comparative figures have been reclassified to conform with the current period's presentation.

The effects arising from the transition to MFRS and the above changes in accounting policies as mentioned in (b) to (d), where applicable, are as follows:

Reconciliation of Statement of Financial Position as at 1 January 2011	As reported under FRS Debit/(Credit)	Effect of adoption of Revised BNM/GP3 and MFRS 139 Debit/(Credit)	Effect of adoption of FRSIC Consensus 18 Debit/(Credit)	As reported under MFRS Debit/(Credit)
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	1,552,881	-	(853,786)	699,095
Loans, advances and financing	1,347,447	13,110	-	1,360,557
Trade receivables	2,042,502	(280)	(44,899)	1,997,323
TOTAL ASSETS	**9,988,702**	**12,830**	**(898,685)**	**9,102,847**
Deposits from customers	(3,872,805)	-	(11,583)	(3,884,388)
Trade payables	(2,657,196)	-	910,268	(1,746,928)
Other liabilities	(209,423)	-	-	(209,423)
Deferred tax liabilities	(1,812)	(2,819)	-	(4,631)
TOTAL LIABILITIES	**(8,295,251)**	**(2,819)**	**898,685**	**(7,399,385)**
Retained profits	(308,604)	(10,011)	-	(318,615)
Reserves	(516,284)	(10,011)	-	(526,295)
Equity attributable to owners of the Company	(1,448,710)	(10,011)	-	(1,458,721)
TOTAL EQUITY	**(1,693,451)**	**(10,011)**	**-**	**(1,703,462)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

The effects arising from the transition to MFRS and the above changes in accounting policies as mentioned in (b) to (d), where applicable, are as follows: (Cont'd)

Reconciliation of Statement of Financial Position as at 31 December 2011	As reported under FRS Debit/(Credit)	Effect of adoption of Revised BNM/GP3 and MFRS 139 Debit/(Credit)	Effect of adoption of FRSIC Consensus 18 Debit/(Credit)	As reported under MFRS Debit/(Credit)
	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	2,399,121	-	(1,011,968)	1,387,153
Loans, advances and financing	1,640,507	14,851	-	1,655,358
Trade receivables	1,523,629	(186)	(59,303)	1,464,140
Deferred tax assets	11,957	(3,318)	-	8,639
TOTAL ASSETS	**10,767,427**	**11,347**	**(1,071,271)**	**9,707,503**
Deposits from customers	(4,710,153)	-	(29,762)	(4,739,915)
Trade payables	(2,387,974)	-	1,100,885	(1,287,089)
Other liabilities	(205,969)	-	148	(205,821)
TOTAL LIABILITIES	**(9,017,200)**	**-**	**1,071,271**	**(7,945,929)**
Retained profits	(298,671)	(11,347)	-	(310,018)
Reserves	(514,683)	(11,347)	-	(526,030)
Equity attributable to owners of the Company	(1,449,039)	(11,347)	-	(1,460,386)
TOTAL EQUITY	**(1,750,227)**	**(11,347)**	**-**	**(1,761,574)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

The effects arising from the transition to MFRS and the above changes in accounting policies as mentioned in (b) to (d), where applicable, are as follows: (Cont'd)

Reconciliation of income statement for the year ended 31 December 2011	As reported under FRS (Debit)/Credit	Effect of adoption of Revised BNM/GP3 and MFRS 139 (Debit)/Credit	Effect of MFRS 5* (Debit)/Credit	As reported under MFRS (Debit)/Credit
	RM'000	RM'000	RM'000	RM'000
Revenue - Continuing operations	1,051,384	-	(1,022,430)	28,954
- Discontinued operations	-	-	1,022,430	1,022,430
	1,051,384	**-**	**-**	**1,051,384**
Interest income	300,789	-	(285,032)	15,757
Interest expense	(200,040)	-	193,106	(6,934)
Net interest income	100,749	-	(91,926)	8,823
Non-interest income	725,329	-	(697,132)	28,197
Net income from Islamic banking operations	8,984	-	(8,984)	-
Other operating expenses	(669,872)	-	657,564	(12,308)
(Allowance for)/write back of impairment losses on loans, advances and financing	(2,048)	1,741	1,951	1,644
Allowance for impairment losses on:				
- trade and other receivables	(2,681)	94	2,587	-
- investments	(70,083)	-	70,083	-
Share of profits after tax of associated companies	2,802	-	(2,802)	-
Profit before tax from continuing operations	93,180	1,835	(68,659)	26,356
Income tax expense	(21,399)	(499)	16,844	(5,054)
Profit after tax for the year:				
- Continuing Operations	71,781	1,336	(51,815)	21,302
- Discontinued Operations	-	-	51,815	51,815
Profit after tax for the year	**71,781**	**1,336**	**-**	**73,117**
Profit after tax attributable to:				
Owners of the Company				
- Continuing Operations	51,415	1,336	(31,449)	21,302
- Discontinued Operations	-	-	31,449	31,449
	51,415	1,336	-	52,751
Non-controlling interests				
- Continuing Operations	20,366	-	(20,366)	-
- Discontinued Operations	-	-	20,366	20,366
	71,781	**1,336**	**-**	**73,117**
Earnings per share attributable to owners of the Company (sen):				
Basic	5.47	0.15	(3.35)	2.27
Diluted	5.46	0.14	(3.34)	2.26

* The effects of MFRS 5 are in respect of the disposal of subsidiary companies as stated in Note 38.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

The effects arising from the transition to MFRS and the above changes in accounting policies as mentioned in (b) to (d), where applicable, are as follows: (Cont'd)

Reconciliation of statement of comprehensive income for the year ended 31 December 2011	As reported under FRS (Debit)/Credit	Effect of adoption of Revised BNM/GP3 and MFRS 139 (Debit)/Credit	Effect of MFRS 5* (Debit)/Credit	As reported under MFRS (Debit)/Credit
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the year				
- Continuing Operations	71,781	1,336	(51,815)	21,302
- Discontinued Operations	-	-	51,815	51,815
	71,781	1,336	-	73,117
Other comprehensive (loss)/ income:				
Foreign currency translation gain	11,895	-	(11,895)	-
Reversal of available-for-sale gain upon disposals	(6,020)	-	6,020	-
Unrealised net gain on revaluation of securities available-for-sale	1,889	-	(1,889)	-
Share of other reserves in an associated group	(846)	-	846	-
Income tax relating to components of other comprehensive loss	1,935	-	(1,935)	-
Other comprehensive income for the year, net of tax				
- Continuing Operations	8,853	-	(8,853)	-
- Discontinued Operations	-	-	8,853	8,853
Total comprehensive income for the year, net of tax	**80,634**	**1,336**	**-**	**81,970**
Total comprehensive income attributable to:				
Owners of the Company				
- Continuing Operations	49,400	1,336	(29,434)	21,302
- Discontinued Operations	-	-	29,434	29,434
	49,400	1,336	-	50,736
Non-controlling interests				
- Continuing Operations	31,234	-	(31,234)	-
- Discontinued Operations	-	-	31,234	31,234
	80,634	**1,336**	**-**	**81,970**

* The effects of MFRS 5 are in respect of the disposal of subsidiary companies as stated in Note 38.

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

Statement of Cash Flows

There are no material differences between the statement of cash flows presented under the MFRS and the statement of cash flows presented under FRS.

Capital adequacy

The adjustments to the financial statements of the Group as a result of the transition to MFRS and changes in accounting policies as discussed above also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	As reported under FRS	As reported under MFRS	As reported under FRS	As reported under MFRS
	RM'000	RM'000	RM'000	RM'000
OSKIB Group				
Retained profits	162,421	172,376	155,771	164,228
Tier I capital	1,259,843	1,269,798	1,197,152	1,205,609
Collective impairment	16,970	3,696	13,138	1,862
Tier II capital	416,970	403,696	313,138	301,862
Capital base	1,676,813	1,673,494	1,510,290	1,507,471
Core capital ratio	25.07%	26.43%	27.12%	28.89%
Risk weighted capital ratio	33.36%	34.83%	34.22%	36.12%
OSKIB				
Retained profits	64,441	74,396	54,046	62,503
Tier I capital	906,982	916,937	896,522	904,979
Collective impairment	15,144	1,870	12,315	1,039
Tier II capital	415,144	401,870	312,315	301,039
Capital base	620,325	617,006	753,349	750,530
Core capital ratio	19.12%	19.89%	24.58%	25.34%
Risk weighted capital ratio	19.12%	19.89%	24.58%	25.34%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(e) Adoption of MFRS, IC Interpretations and Amendments to MFRS for the Financial Year

During the current financial year, the Group and the Company adopted the following MFRS, IC Interpretations and Amendments to MFRS which are effective for annual periods beginning on and after these dates as shown below:

Effective for annual periods commencing on or after 1 January 2012

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 4	Insurance Contracts
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6	Exploration for and Evaluation of Mineral Resources
MFRS 7	Financial Instruments: Disclosures
MFRS 8	Operating Segments
MFRS 101	Presentation of Financial Statements
MFRS 102	Inventories
MFRS 107	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110	Events after the Reporting Period
MFRS 111	Construction Contracts
MFRS 112	Income Taxes
MFRS 116	Property, Plant and Equipment
MFRS 117	Leases
MFRS 118	Revenue
MFRS 119	Employee Benefits
MFRS 120	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121	The Effects of Changes in Foreign Exchange Rates
MFRS 123	Borrowing Costs
MFRS 124	Related Party Disclosures
MFRS 126	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128	Investments in Associates
MFRS 129	Financial Reporting in Hyperinflationary Economies
MFRS 131	Interests in Joint Ventures
MFRS 132	Financial Instruments: Presentation
MFRS 133	Earnings Per Share
MFRS 134	Interim Financial Reporting
MFRS 136	Impairment of Assets
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138	Intangible Assets
MFRS 139	Financial Instruments: Recognition and Measurement
MFRS 140	Investment Property
MFRS 141	Agriculture
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

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

(e) Adoption of MFRS, IC Interpretations and Amendments to MFRS for the Financial Year (Cont'd)

Effective for annual periods commencing on or after 1 January 2012 (Cont'd)

IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	MFRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IC Interpretation 107	Introduction of the Euro
IC Interpretation 110	Government Assistance - No Specific Relation to Operating Activities
IC Interpretation 112	Consolidation - Special Purpose Entities
IC Interpretation 113	Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IC Interpretation 115	Operating Leases - Incentives
IC Interpretation 125	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
IC Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IC Interpretation 129	Service Concession Arrangements: Disclosures
IC Interpretation 131	Revenue - Barter Transactions Involving Advertising Services
IC Interpretation 132	Intangible Assets - Web Site Costs

(f) MFRS, IC Interpretations and Amendments to MFRSs issued but not yet effective

The following MFRS and IC Interpretations have been issued by the MASB but are not yet effective:

Effective for annual periods commencing on or after 1 July 2012

MFRS 101	Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(f) MFRS, IC Interpretations and Amendments to MFRS issued but not yet effective

Effective for annual periods commencing on or after 1 January 2013

MFRS 1	Government Loans (Amendments to MFRS 1)
MFRS 1	Amendment to MFRS 1 (Annual Improvements 2009 - 2011 Cycle)
MFRS 3	Business Combination (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)
MFRS 13	Fair Value Measurement
MFRS 101	Amendment to MFRS 101 (Annual Improvements 2009 - 2011 Cycle)
MFRS 116	Amendment to MFRS 116 (Annual Improvements 2009 - 2011 Cycle)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2004)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
MFRS 132	Amendment to MFRS 132 (Annual Improvements 2009 - 2011 Cycle)
MFRS 134	Amendment to MFRS 134 (Annual Improvements 2009 - 2011 Cycle)
IC Interpretation 2	Amendment to IC Int. 2 (Annual Improvements 2009 - 2011 Cycle)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for annual periods commencing on or after 1 January 2014

MFRS 132	Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

Effective for annual periods commencing on or after 1 January 2015

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

The financial effects of the remaining MFRS, IC Interpretations and Amendments to MFRS above are still being assessed due to the complexity of these new MFRS, IC Interpretations and Amendments to MFRS, and their proposed changes.

(g) Significant accounting judgements and estimates

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

(i) Judgements

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

Operating lease commitments - Group as lessor

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

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

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

(i) Judgements (Cont'd)

Classification between investment properties and property and equipment

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

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

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

Management adopts the following judgements in classification of its investments:

1) Securities HFT

Management classifies 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 as securities HFT. These securities are normally for a period of less than one year or in respect of those in the investment banking subsidiary, not exceeding the remaining duration of related unexpired call warrants issued.

2) Securities HTM

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

3) Securities AFS

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

(ii) Key sources of estimation uncertainty

Estimates and 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 pose a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from 31 December 2012 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 18.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

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

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

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.

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 properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statements. The investment properties of the Group are held to earn rental income or for capital appreciation or both. For the financial year ended 31 December 2012, the Group engaged independent valuation specialists to determine fair value of such investment properties, including properties being classified under property and equipment previously which transferred to investment properties. The fair value was determined primarily using the comparison method of valuation, which entails analysing recent transactions and asking price of similar properties in and around the locality for comparison purposes with applicable adjustments for differences in location, size and etc. to arive at the market value.

Deferred tax assets

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary companies, basis of consolidation, associated companies and jointly controlled entities and transactions with non-controlling interests

(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, if any. 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.

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 off 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' identifiable assets and liabilities is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy stated in Note 3(d)(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 and transactions with non-controlling interests (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 profit or loss and other comprehensive income of associated companies. 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.

When the Group's share of losses in a associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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. Appropriate group adjustments are made to confirm with group accounting policies where required. On the disposal of such investments, the difference between the net disposal proceeds and the carrying amounts is included in income statements.

(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 the equity attributable to owners of the Company. 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.

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(e).

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 and equipment or prepaid land lease payments are dependent on whether the leasehold land transfer to the Group substantially all the risks and rewards incidental to ownership of the leasehold land, as further described in Note 3(g). 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 as follows:

	Years	%
Freehold and leasehold buildings	50	2%
Machinery	5	20%
Motor vehicles	5 - 7	15% - 20%
Office equipment	3 - 7	15% - 33$^1/_3$%
Furniture and fittings	6 - 10	10% - 15%
Renovations	6 - 10	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 properties

(i) Investment properties carried at fair value

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are 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 properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment properties are 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 properties are recognised in the income statement in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investment properties (Cont'd)

(ii) Reclassification to/from investment properties

When an item of property and equipment in transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income and in equity as a revaluation. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of the property changes such that it is reclassified as property and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(d) 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(i).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (Cont'd)

(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.

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 the income statement when the asset is derecognised.

- **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 the income statement.

- **Banking and stockbroking licences**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible assets (Cont'd)

(ii) Other intangible assets (Cont'd)

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.

(e) 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 the 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) 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 the 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 the 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).

(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(k)(xii).

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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 other comprehensive income and equity. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income and equity.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Foreign currencies (Cont'd)

(iii) Translation of foreign operations (Cont'd)

The exchange rates used in translation are as follows:

	2012	2011
Closing rate		
United States Dollar ("USD")	3.05830	3.17700
Singapore Dollar ("SGD")	Not applicable	2.44270
Hong Kong Dollar ("HKD")	Not applicable	0.40890
Indonesian Rupiah ("IDR")	Not applicable	0.00035
Khmer Riel ("KHR")	Not applicable	0.00078
Thai Baht ("THB")	Not applicable	0.10010
Average rate		
United States Dollar ("USD")	3.09198	3.05967
Singapore Dollar ("SGD")	2.47000	2.43145
Hong Kong Dollar ("HKD")	0.39950	0.39303
Indonesian Rupiah ("IDR")	0.00033	0.00035
Khmer Riel ("KHR")	0.00076	0.00075
Thai Baht ("THB")	0.09945	0.09999

(j) 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, capital financing and rental income but excluding all related companies transactions.

(k) 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.

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

(k) Recognition of revenue and other income (Cont'd)

(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.

(l) 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. Where applicabe, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits (Cont'd)

(iii) Share-based compensation

The Group adopts an equity-settled, share-based compensation scheme, Executive Share Option Scheme ("ESOS") as disclosed in Note 27. 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.

(m) 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, in the same or a different period, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income tax (Cont'd)

(ii) Deferred tax (Cont'd)

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 the income statement is recognised outside the 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.

(n) 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 comprises 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 share 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial assets

Financial assets are recognised in the statements of financial position when the Group and the Company 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, loans and receivables and statutory deposits

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.

- **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.

- **Loans 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.

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

(o) Financial assets (Cont'd)

(ii) Securities portfolio, loans and receivables and statutory deposits (Cont'd)

- **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.

(iii) Impairment of financial assets

Securities HTM, loans 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 and capital 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 Bank Negara Malaysia Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("Revised BNM/GP3").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial assets (Cont'd)

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

Securities HTM, loans and receivables (Cont'd)

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 requirements of Revised 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, individual assessment for bad and doubtful debts and suspension of interest of Malaysian 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.

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 statements, 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.

(p) Derivative financial instruments

(i) Over-the-counter ("OTC") options

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Derivative financial instruments (Cont'd)

(ii) Call warrants ("CW")

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

(iii) 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.

(iv) 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.

(v) 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.

(q) 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 MFRS 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Financial liabilities (Cont'd)

(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.

(r) 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 statements 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.

(s) 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.

(t) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) 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.

(v) 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.

(w) 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 former investment bank subsidiary company.

Prior to the disposal of subsidiary companies as disclosed in Note 38, the Group's stockbroking business in Malaysia was 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 were supervised by their respective authority bodies. OSKIB was required to maintain the Risk Weighted Capital Ratio in accordance with the rules of Bank Negara Malaysia. Similarly, the Group's futures broking business in Malaysia was 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 were supervised by SC and are required to adhere to the guidelines issued by the SC.

The Group's lending activities in OSK Capital Sdn Bhd ("OSKC") and OSKIB 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. Allowance for impairment losses in OSKIB were made in accordance with Revised BNM/GP3 guidelines while OSKC complied with the applicable accounting standards in Malaysia.

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

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 authorised the credit approval authorities of its subsidiary companies in Cambodia, Hong Kong, Indonesia, Singapore and Thailand and monitored 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.

Allowance 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 recognised in accordance with Revised BNM/GP3 guidelines for former investment banking subsidiary company and applicable Prakas issued by the National Bank of Cambodia for a former banking subsidiary company as well as applicable accounting standards in Malaysia for capital financing subsidiary company.

(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 in respect of OSKIB was 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 was supplemented by internal liquidity risk management policy.

The Group seeks to achieve a balance between certainty of funding 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 of OSKIB is the primary party responsible for liquidity management based on guidelines approved by the OSKIB's Group Risk Management Committee. The management of the OSKIB 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(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 Risk Management 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.

(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.

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

(f) Currency risk (Cont'd)

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, compliance risk and legal risk.

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

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

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

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

	Note			Group			Company
		As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(a) General accounts							
Cash and bank balances with banks and other financial institutions		753	403,200	314,976	17	2,525	149
Current accounts:							
- Bank Negara Malaysia		-	7,870	5,341	-	-	-
- National Bank of Cambodia		-	23,803	3,447	-	-	-
Deposits with:							
- licensed banks		-	127,355	20,567	-	-	-
- licensed investment banks		22	521	6,197	22	21	4,157
		775	562,749	350,528	39	2,546	4,306
(b) Segregated accounts	(i)						
Deposits with licensed banks		-	43,558	42,690	-	-	-
(c) Money at call and deposits placements with maturities within one month							
Licensed banks		-	508,146	252,877	-	-	-
Licensed investment banks		-	84,700	20,000	-	-	-
Bank Negara Malaysia		-	188,000	33,000	-	-	-
		-	780,846	305,877	-	-	-
		775	**1,387,153**	**699,095**	**39**	**2,546**	**4,306**

(i) Segregated accounts represent remisiers' deposits held.

6. DEPOSITS AND PLACEMENTS WITH A BANK / SECURITIES PURCHASED UNDER RESALE AGREEMENTS

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
(a) Deposits and placements with a bank			
Money at call and deposit placements with remaining maturities of more than one month:			
Licensed investment bank	**-**	**50,000**	**-**
(b) Securities purchased under resale agreements			
The underlying securities purchased under resale agreements are as follows:			
Malaysian Goverment securities	-	-	59,886
Quoted shares outside Malaysia	-	-	51,600
	-	**-**	**111,486**

7. SECURITIES PORTFOLIO

	Group			Company		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
(a) Securities held-for-trading						
At fair value						
(i) Money market instruments:						
Malaysian Government Investment Issue	-	40,901	-	-	-	-
Malaysian Government Securities	-	30,482	-	-	-	-
	-	71,383	-	-	-	-
(ii) Quoted securities:						
Shares and exchange traded funds						
- in Malaysia	13,551	172,703	228,571	13,437	12,969	10,826
- outside Malaysia	12,480	23,000	70,313	12,480	12,360	13,018
	26,031	195,703	298,884	25,917	25,329	23,844
Trust units						
- in Malaysia	-	1,918	1,049	-	-	-
- outside Malaysia	-	10,324	-	-	-	-
	-	12,242	1,049	-	-	-
Private debt securities outside Malaysia	-	9,075	-	-	-	-
	26,031	217,020	299,933	25,917	25,329	23,844
(iii) Unquoted securities:						
Private debt securities						
- in Malaysia	-	-	41,100	-	-	-
- outside Malaysia	-	24,937	307,963	-	-	-
	-	24,937	349,063	-	-	-
Total	**26,031**	**313,340**	**648,996**	**25,917**	**25,329**	**23,844**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

7. SECURITIES PORTFOLIO (CONT'D)

	Group			Company		
	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(b) Securities held-to-maturity						
At amortised cost						
(i) 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	-	-	-
(ii) 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**	**-**	**-**	**-**
(c) Securities available-for-sale						
At fair value						
(i) 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	-	-	-

7. SECURITIES PORTFOLIO (CONT'D)

	Group			Company		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
(c) Securities available-for-sale (Cont'd)						
At fair value (Cont'd)						
(ii) 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	-	-	-
(iii) Unquoted securities:						
Shares and warrants						
- in Malaysia	165	5,481	7,284	-	-	-
- outside Malaysia	-	19,816	3,228	-	-	-
	165	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	-	-	-
	165	1,895,536	1,486,794	-	-	-
Total	**165**	**3,230,790**	**2,795,866**	**-**	**-**	**-**
Total securities portfolio	**26,196**	**4,184,026**	**4,107,289**	**25,917**	**25,329**	**23,844**

Included in securities available-for-sale are securities sold under repurchase agreements as disclosed in Note 21:

	Group		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Private debt securities outside Malaysia	**-**	**351,361**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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8. DERIVATIVE FINANCIAL ASSETS

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	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

9. LOANS, ADVANCES AND FINANCING

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Term loans	353,663	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	353,663	1,671,182	1,374,767
Allowances for impairment losses:			
- Collective assessment	(4,243)	(5,722)	(4,020)
- Individual assessment	(36,057)	(10,102)	(10,190)
Net loans, advances and financing	**313,363**	**1,655,358**	**1,360,557**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(a) Analysis of gross loans, advances and financing

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
(i) By type of customers			
Domestic small and medium enterprises	233,733	883,819	673,992
Foreign entities	-	159,665	99,716
Individuals	119,930	627,698	601,059
	353,663	**1,671,182**	**1,374,767**
(ii) By interest/profit rate sensitivity			
Fixed rate	353,663	1,460,378	1,247,277
Variable rate			
- Cost plus	-	38,585	60,262
- Other variable rates	-	172,219	67,228
	353,663	**1,671,182**	**1,374,767**
(iii) By economic purpose			
Working capital	93,466	333,621	275,881
Purchase of securities	221,132	853,893	852,959
Others	39,065	483,668	245,927
	353,663	**1,671,182**	**1,374,767**
(iv) By geographical distribution			
Malaysia	353,663	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	-
	353,663	**1,671,182**	**1,374,767**
(v) By maturity structure			
Up to 3 months	160,873	620,101	696,588
3-12 months	119,683	661,001	345,172
1-5 years	73,107	277,685	286,158
Over 5 years	-	112,395	46,849
	353,663	**1,671,182**	**1,374,767**
(vi) By sectors			
Manufacturing	34,493	104,301	132,175
Construction	50,173	63,474	1,273
Wholesale & retail trade and restaurants and hotels	88,396	191,406	193,616
Transport, storage and communication	42,735	66,673	14,192
Finance, insurance and business activities	-	631,594	400,136
Household	119,930	570,900	626,006
Mining and quarrying	-	9,943	7,369
Real estate	17,936	2,972	-
Agriculture, hunting, forestry and fishing	-	666	-
Electricity, gas and water supply	-	29,253	-
	353,663	**1,671,182**	**1,374,767**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

(b) Analysis of impaired loans, advances and financing

(i) Movement in impaired loans, advances and financing

	Group	
	As at 31.12.12 RM'000	As at 31.12.11 RM'000
At beginning of year	15,137	26,121
Arising from acquisition of a subsidiary company	-	2,024
Classified as impaired *	40,886	4,434
Reclassified as non-impaired *	(1,140)	(14,061)
Amount recovered	(3,985)	(1,380)
Amount written off	(68)	(2,012)
Attributable to disposal of subsidiary companies	(1,430)	-
Exchange differences *	(21)	11
At end of year	49,379	15,137
Allowance for impairment losses		
- individual assessment	(36,057)	(10,102)
Net impaired loans, advances and financing	**13,322**	**5,035**
Ratio of net impaired loans, advances and financing to net loans, advances and financing	**4.25%**	**0.30%**

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

Analysis of impaired loans, advances and financing:

- by geographical distribution

Malaysia	49,379	14,588
Cambodia	-	549
	49,379	**15,137**

- by economic purpose

Working capital	287	224
Purchase of securities	27,730	14,364
Others	21,362	549
	49,379	**15,137**

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

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

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

	Group	
	As at 31.12.12	**As at 31.12.11**
	RM'000	**RM'000**
Collective assessment		
At beginning of year, as reported under FRS	(20,573)	(17,130)
Adoption of Revised BNM/GP3 and MFRS 139	14,851	13,110
At beginning of year, as reported under MFRS	(5,722)	(4,020)
(Made)/Written back - Continuing Operations [Note 34(a)]	(2,032)	226
- Discontinued Operations	507	(1,867)
Attributable to disposal of subsidiary companies	2,924	-
Exchange difference	80	(61)
At end of year	**(4,243)**	**(5,722)**
As % of gross loans, advances and financing less allowance for impairment losses		
- individual assessment	**1.34%**	**0.34%**
Collective assessment for impaired loans, advances and financing according to economic purpose, allocated on a pro-rated basis, are as follows:		
Working capital	(1,122)	(1,142)
Purchase of securities	(2,652)	(2,924)
Others	(469)	(1,656)
	(4,243)	**(5,722)**
Individual assessment		
At beginning of year *	(10,102)	(10,190)
Arising from acquisition of a subsidiary company	-	(2,024)
Made * - Continuing Operations	(27,641)	(4,248)
- Discontinued Operations	(1,456)	(271)
Written back * - Continuing Operations	1,349	4,357
- Discontinued Operations	288	2,207
Written off - Discontinued Operations	47	38
Recovered - Discontinued Operations	-	38
Attributable to disposal of subsidiary companies	1,451	-
Exchange difference *	7	(9)
At end of year	**(36,057)**	**(10,102)**

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

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

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

		Group
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
Individual assessment for impaired loans, advances and financing according to economic purpose, are as follows:		
Working capital	(287)	-
Purchase of securities	(16,586)	(9,827)
Others	(19,184)	(275)
	(36,057)	**(10,102)**

The normal credit term for capital financing ranged from 2 to 24 months from the date of financing.

In the previous financial year, the trade credit term for the shares margin clients of Malaysian stockbroking business was for a maximum term of 3 months, subject to review for rollover.

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(o)(iii) are selected for individual impairment assessment on a monthly basis.

10. TRADE RECEIVABLES

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Amount owing by clients	-	843,420	985,627
Allowance for impairment losses			
- Individual assessment	-	(14,096)	(13,534)
- Collective assessment	-	(186)	(280)
	-	829,138	971,813
Amount owing by:			
- brokers, net receivables from brokers on behalf of clients	-	297,952	370,589
- foreign derivatives clearing houses	-	5,755	8,552
- foreign securities clearing houses and stock exchanges, net receivables from clearing houses on behalf of clients	-	305,525	624,860
Unit trust receivables	-	19,107	16,973
Tenants of properties	673	313	9
Others	-	6,350	4,527
	673	**1,464,140**	**1,997,323**

The Group has no significant concentration of credit risk that may arise from exposures to a single client or to a group of receivables. The normal credit period for tenants of properties is one month.

10. TRADE RECEIVABLES (CONT'D)

In the previous financial year, securities trading of an investment banking subsidiary company was 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 were settled either on the same trading day, in 1 market day or in 2 market days; and unit trust funds related receivables were normally settled within 10 market days.

In the previous financial year, segregated funds maintained for clients due to open positions and unsegregated funds of OSKIB earned interest of 2.11% per annum from Bursa Malaysia Derivatives Clearing Berhad.

(a) Ageing and Impairment analysis

(i) Ageing analysis of trade receivables

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

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Neither past due nor impaired	673	1,376,504	1,902,921
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
	673	**1,464,140**	**1,997,323**

(ii) 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.

(iii) Receivables that are past due but not impaired

As at 31 December 2011, the Group had trade receivables amounting to RM76,511,521 that were past due at the reporting date but not impaired due to the availability of collateral or receipts after the reporting date.

(iv) 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	As at 31.12.12	As at 31.12.11	As at 1.1.11
		RM'000	RM'000	RM'000
Gross trade receivable		-	25,220	16,175
Less: Allowance for impairment losses				
- individual assessment	10(b)	-	(14,096)	(13,534)
		-	**11,124**	**2,641**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

10. TRADE RECEIVABLES (CONT'D)

(b) Movement in the allowance for impaired trade and other receivables:

		Group
	As at 31.12.12	**As at 31.12.11**
	RM'000	**RM'000**
Individual assessment		
At beginning of year	14,096	13,534
Arising from acquisition of a subsidiary company	-	243
Made *	5,700	7,292
Written back *	(5,673)	(4,418)
Written off	(4,560)	(2,636)
Attributable to disposal of subsidiary companies	(9,648)	-
Exchange difference	85	81
At end of year	**-**	**14,096**

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

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 required for the assets subject to impairment assessment.

Individual impairment assessment of the Group as at 31 December 2011 would have been higher by approximately RM1,631,917, without the collateral held for trade receivables.

The Group would take possession of these collateral which are held as security against trade 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 2012 and 2011, there are no repossessed collaterals.

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11. OTHER ASSETS

		Group			Company		
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Interest/income receivable		-	44,401	38,366	-	-	1
Security deposits and statutory funds		-	11,343	8,870	-	-	-
Other receivables, deposits and prepayments	(a)	4,679	65,386	48,729	151	79	3,557
Amounts due from subsidiary companies	(b)	-	-	-	174,670	1,866	15,042
Amounts due from associated group	(c)	4,819	-	-	-	-	-
Transferable golf club memberships		-	332	271	-	-	-
		9,498	**121,462**	**96,236**	**174,821**	**1,945**	**18,600**

(a) Other receivables, deposits and prepayments

Other receivables	128	22,228	21,029	80	8	3,485
Less: Allowance for impairment losses						
- individual assessment	-	(646)	(607)	-	-	-
	128	21,582	20,422	80	8	3,485
Other deposits	4,152	25,163	11,885	4	4	4
Prepayments	399	18,641	16,422	67	67	68
	4,679	**65,386**	**48,729**	**151**	**79**	**3,557**

(b) Amounts due from subsidiary companies

	Company		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Interest bearing	174,670	-	13,514
Non-interest bearing	-	1,866	-
Balance of uninvested funds placed with an asset management subsidiary company	-	-	1,528
	174,670	**1,866**	**15,042**

The amounts due from subsidiary companies are unsecured and repayable on demand.

(c) Amount due from associated group

The amounts due from associated group, OSKIB, a former subsidiary company prior to disposal of subsidiary companies as disclosed in Note 38, now being a subsidiary of an associated company, included an amount of RM4,770,421 in relation to amount outstanding as a result of sale of securities in the ordinary course of business with a credit term of 3 market days, in accordance with Fixed Delivery and Settlement Trading Rules of Bursa Securities. The balance sum of RM48,336 representing non-trade miscellaneous charges repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
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12. STATUTORY DEPOSITS WITH CENTRAL BANKS

		Group		
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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 was maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994). As at 31 December 2011, the amount is computed based on 4% of total eligible liabilities of the former investment banking subsidiary company, OSKIB.

(b) As at 31 December 2011, the former banking subsidiary company, OSK Indochina Bank Limited ("OSKIBL"), was 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 bore interest of 0.10% to 0.11% per annum and was 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 was 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% 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%, 8% bore interest at 0%, while the remaining 4% bore interest at 0.5% of one-month Singapore Interbank Offered Rate (SIBOR) in the previous financial year.

13. DEFERRED TAXATION

		Group		Company	
		As at 31.12.12	As at 31.12.11	As at 31.12.12	As at 31.12.11
	Note	RM'000	RM'000	RM'000	RM'000
(a) Deferred tax assets					
At beginning of year, as reported under FRS		11,957	481	-	-
Adoption of Revised BNM/ GP3 and MFRS 139		(3,318)	-	-	-
At beginning of year, as reported under MFRS		8,639	481	-	-
Recognised in:					
- income statements					
Continuing Operations	35	2,379	-	-	-
Discontinued Operations	35	(612)	2,711	-	-
- AFS reserve		(5,448)	5,448	-	-
Attributable to disposal of subsidiary companies	38(g)	(2,444)	-	-	-
Foreign exchange differences		(135)	(1)	-	-
At end of year		**2,379**	**8,639**	**-**	**-**
The deferred tax assets mainly relate to temporary differences arising from:					
Excess of capital allowance over depreciation		(51)	(6,801)	-	-
Provisions		1,445	8,607	-	-
Fair values on securities:					
- HFT		-	99	-	-
- AFS		-	5,448	-	-
Other temporary differences		985	1,286	-	-
		2,379	**8,639**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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13. DEFERRED TAXATION (CONT'D)

		Group		Company	
		As at 31.12.12	As at 31.12.11	As at 31.12.12	As at 31.12.11
	Note	RM'000	RM'000	RM'000	RM'000
(b) Deferred tax liabilities					
At beginning of year, as reported under FRS		4,106	1,812	4	686
Adoption of Revised BNM/GP3 and MFRS 139		-	2,819	-	-
At beginning of year, as reported under MFRS		4,106	4,631	4	686
Arising from acquisition of a subsidiary company		-	31	-	-
Reversed due to members' voluntary winding up of a subsidiary company		-	(1)	-	-
Recognised in:					
- income statements					
Continuing Operations	35	(436)	(682)	(4)	(682)
Discontinued Operations	35	1,857	(3,393)	-	-
- AFS reserve		3,598	3,513	-	-
Attributable to disposal of subsidiary companies	38(g)	(9,176)	-	-	-
Foreign exchange differences		83	7	-	-
At end of year		**32**	**4,106**	**-**	**4**
The deferred tax liabilities mainly relate to temporary differences arising from:					
Excess of capital allowances over depreciation		32	333	-	-
Fair values on securities					
- HFT		-	369	-	4
- AFS		-	3,403	-	-
Other temporary differences		-	1	-	-
		32	**4,106**	**-**	**4**

14. INVESTMENTS IN SUBSIDIARY COMPANIES

			Company
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
At cost			
Unquoted shares in Malaysia	306,727	988,277	986,196
Accumulated impairment loss	(629)	(629)	(629)
	306,098	987,648	985,567
Loans to subsidiary companies	-	8,510	8,503
Granting of financial guarantee to banks for facilities in subsidiary companies	12,186	25,508	15,950
	318,284	**1,021,666**	**1,010,020**

Loans to subsidiary companies 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 43 and Note 44 respectively. The decrease in the investments in subsidiary companies was due to disposal of subsidiary companies as disclosed in Note 38.

15. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

			Group			Company
	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At cost						
Associated companies						
Quoted shares in Malaysia	1,871,800	-	-	1,871,800	-	-
Unquoted shares in Malaysia	-	14,601	12,601	-	-	-
Accumulated impairment losses	-	(2,650)	(2,650)	-	-	-
	1,871,800	11,951	9,951	1,871,800	-	-
Jointly controlled entity						
Unquoted shares outside Malaysia	-	10	-	-	-	-
	1,871,800	11,961	9,951	1,871,800	-	-
Share of reserves	33,300	11,433	11,195	-	-	-
	1,905,100	**23,394**	**21,146**	**1,871,800**	**-**	**-**
At market value						
Quoted shares in Malaysia	**1,874,250**	**-**	**-**	**1,874,250**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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15. INVESTMENTS IN ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY (CONT'D)

The proportion of voting power held is equivalent to the proportion of ownership interest in the associated companies, jointly controlled entity and the relevant particulars are disclosed in Note 43(b), (1) and (m).

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

			Group
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Aggregated assets and liabilities as at reporting date (100%)			
Total assets	189,077,565	73,183	68,342
Total liabilities	173,737,085	6,252	7,039

		Group
	2012 RM'000	2011 RM'000
Aggregated results (100%)		
Revenue	992,744	30,177
Profit after tax for the year	361,107	9,676
Other comprehensive income	5,676	-
Total comprehensive income	366,783	9,676

On 9 November 2012, the Company completed the disposal of subsidiary companies as disclosed in Note 38 and Note 44(h), hence the investments in associated companies and jointly controlled entity held previously are disposed at the same date. On the even date, as part of the disposal consideration of the disposal, the Company received 245,000,000 ordinary shares in RHB Capital Berhad at a total value of RM1,871,800,000, based on fair value on the completion date.

16. INVESTMENT PROPERTIES

	Note	Group As at 31.12.12 RM'000	As at 31.12.11 RM'000
At fair value			
Freehold land at cost		42,786	42,786
Fair value changes prior to 1 January		106,214	91,214
Fair value at beginning of year		149,000	134,000
Transfer from property and equipment	17	120,313	-
Fair value recognised in statement of comprehensive income as revaluation surplus upon transfer from property and equipment	29(d)	80,337	-
Fair value recognised in income statement	32(f)	-	15,000
At end of year		**349,650**	**149,000**

The investment properties generated rental income of RM3,686,306 (2011: RM922,020) and incurred direct expenses of RM621,662 (2011: RM37,357) for the year.

On 9 November 2012, the owner-occupied properties under property and equipment were transferred to investment properties due to change in use. These properties are measured at their fair values based on independent valuer at the dates near to the completion date of the disposal of subsidiary companies based on the comparison method. A total gain of RM80,336,942 is recognised in the statement of comprehensive income as a revaluation surplus within equity and resulting in a fair value of RM349,650,000.

The fair value of the investment properties as at 31 December 2011 of RM149,000,000 was performed by an independent valuer based on the market values of similar properties in the same vicinity that have been transacted in the open market.

17. PROPERTY AND EQUIPMENT

Group

As at 31.12.12

	As at 1.1.2012	Disposal of subsidiary companies	Additions	Disposals	Written off	Transfer to investment properties	Reclassifi-cation adjustment	Foreign exchange difference	As at 31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		[Note 38(g)]			(Discontinued Operations)	(Note 16)			
At cost									
Freehold land	1,565	-	-	-	-	-	-	-	1,565
Freehold land and buildings	113,710	* 28	-	(264)	-	(113,409)	-	-	65
Long term leasehold land and buildings	19,663	* 1,395	-	-	-	(21,058)	-	-	-
Short term leasehold land and buildings	2,325	-	-	-	-	-	-	-	2,325
Building in progress	1,750	-	856	-	-	-	-	-	2,606
Machinery	1,059	-	35	-	-	-	-	-	1,094
Motor vehicles	11,298	(10,617)	1,817	(228)	-	-	(23)	(130)	2,117
Office equipment	101,674	(104,934)	7,381	(1,986)	(5)	-	718	(691)	2,157
Furniture and fittings	27,000	(29,116)	1,344	(1,648)	(117)	-	2,963	(21)	405
Renovations	52,871	(56,999)	9,457	(448)	-	-	(3,704)	(652)	525
	332,915	(200,243)	20,890	(4,574)	(122)	(134,467)	(46)	(1,494)	12,859

* The positive figures are due to realisation of unrealised gain recorded in the previous financial years on properties disposed by OSKIB to Ke-Zan Holdings Berhad.

17. PROPERTY AND EQUIPMENT (CONT'D)

Group (Cont'd)

As at 31.12.12 (Cont'd)

	As at 1.1.2012	Disposal of subsidiary companies	Charge for the year	Charge for the year	Disposals	Written off	Transfer to investment properties	Reclassifi-cation adjustment	Foreign exchange difference	As at 31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		[Note 38(g)]	(Continuing Operations) [Note 33(b)]	(Discontinued Operations) [Note 33(b)]		(Discontinued Operations)	(Note 16)			
Accumulated depreciation										
Freehold land and buildings	10,512	* 2	1,236	-	(19)	-	(11,713)	-	-	18
Long term leasehold land and buildings	2,201	* 163	77	-	-	-	(2,441)	-	-	-
Short term leasehold land and buildings	696	-	161	-	-	-	-	-	-	857
Machinery	330	-	206	-	-	-	-	-	-	536
Motor vehicles	5,548	(6,211)	239	1,136	(163)	-	-	-	(108)	441
Office equipment	73,029	(77,357)	51	8,202	(1,793)	(4)	-	(1)	(259)	1,868
Furniture and fittings	16,234	(16,171)	9	1,937	(1,523)	(101)	-	(4)	(52)	329
Renovations	24,611	(28,075)	38	3,941	(120)	-	-	-	(257)	138
	133,161	(127,649)	2,017	15,216	(3,618)	(105)	(14,154)	(5)	(676)	4,187

* The positive figures are due to realisation of unrealised gain recorded in the previous financial years on properties disposed by OSKIB to Ke-Zan Holdings Berhad.

17. PROPERTY AND EQUIPMENT (CONT'D)

Group (Cont'd)

As at 31.12.11

	As at 1.1.2011	Acquisitions of subsidiary companies	Additions	Disposals	Written 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
					(Discontinued Operations)				
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	96,081	4,119	11,608	(9,624)	(152)	-	(1,088)	730	101,674
Furniture and fittings	19,930	2,195	6,212	(1,311)	(105)	-	-	79	27,000
Renovations	52,835	75	9,202	(9,777)	(75)	-	-	611	52,871
	314,427	6,996	33,210	(21,727)	(332)	-	(1,152)	1,493	332,915

17. PROPERTY AND EQUIPMENT (CONT'D)

Group (Cont'd)

As at 31.12.11 (Cont'd)

	As at 1.1.2011	Acquisitions of subsidiary companies	Charge for the year	Charge for the year	Reversal for disposals	Written 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	RM'000
			(Continuing Operations) [Note 33(b)]	(Discontinued Operations) [Note 33(b)]		(Discontinued Operations)			
Accumulated depreciation									
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	92	1,448	(691)	-	(126)	22	5,548
Office equipment	69,988	3,936	54	8,626	(9,471)	(151)	(413)	460	73,029
Furniture and fittings	13,777	2,087	8	1,637	(1,220)	(89)	-	34	16,234
Renovations	29,899	70	36	4,098	(9,698)	(72)	-	278	24,611
	129,986	6,394	2,109	15,809	(21,080)	(312)	(539)	794	133,161

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17. PROPERTY AND EQUIPMENT (CONT'D)

Group (Cont'd)

Net carrying value

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Freehold land	1,565	1,565	1,565
Freehold land and buildings	47	103,198	102,574
Long term leasehold land and buildings	-	17,462	17,676
Short term leasehold land and buildings	1,468	1,629	1,687
Building in progress	2,606	1,750	517
Machinery	558	729	902
Motor vehicles	1,676	5,750	4,338
Office equipment	289	28,645	26,093
Furniture and fittings	76	10,766	6,153
Renovations	387	28,260	22,936
	8,672	**199,754**	**184,441**

Company

	As at 1.1.2012 RM'000	Additions/ Depreciation charge for the year RM'000 (Note 33)	As at 31.12.2012 RM'000
At cost			
Office equipment	4	4	8
Accumulated depreciation			
Office equipment	3	1	4

	As at 1.1.2011 RM'000	Additions/ Depreciation charge for the year RM'000 (Note 33)	As at 31.12.2011 RM'000
At cost			
Office equipment	4	-	4
Accumulated depreciation			
Office equipment	2	1	3

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Net carrying value			
Office equipment	**4**	**1**	**2**

18. INTANGIBLE ASSETS

	Note	Group			Company		
		As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
		RM'000	RM'000	RM'000	RM'000	RM'000	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)	4	20,962	14,695	-	-	-
Trademarks	(g)	127	69	38	127	69	38
		131	**232,037**	**223,888**	**127**	**69**	**38**

(a) Goodwill on consolidation

	Group	
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
At cost		
At beginning of year	131,927	130,413
Accumulated amortisation as at 1 January 2006 - set off in accordance with MFRS 3	(33,698)	(33,698)
	98,229	96,715
Arising from acquisition of a subsidiary company	-	1,835
Arising from liquidation of a subsidiary company	-	(450)
Attributable to disposal of subsidiary companies	(97,470)	-
Foreign exchange difference	(593)	129
At end of year	166	98,229
Accumulated impairment		
At beginning of year	(122)	(118)
Impairment for the year (Note 33)	(166)	-
Attributable to disposal of subsidiary companies	118	-
Foreign exchange difference	4	(4)
At end of year	(166)	(122)
Net carrying value	**-**	**98,107**

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

(b) Purchased goodwill

			Group
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
At cost	59,892	59,892	59,892
Accumulated amortisation as at 1 January 2006 - set off in accordance with MFRS 3	(13,376)	(13,376)	(13,376)
Attributable to disposal of subsidiary companies	(46,516)	-	-
Net carrying value	**-**	**46,516**	**46,516**

The purchased goodwill was in respect of 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.

(c) Trading rights and memberships

		Group
	As at 31.12.12 RM'000	As at 31.12.11 RM'000
At cost		
At beginning of year	2,136	1,266
Arising from acquisition of a subsidiary company	-	1,659
Addition	25	-
Disposal	-	(822)
Attributable to disposal of subsidiary companies	(2,136)	-
Foreign exchange difference	(25)	33
At end of year	-	2,136
Accumulated amortisation		
At beginning of year	(748)	-
Arising from acquisition of a subsidiary company	-	(917)
Reversal of amortisation for the year (Note 33)	-	165
Attributable to disposal of subsidiary companies	744	-
Foreign exchange difference	4	4
At end of year	-	(748)
Accumulated impairment		
At beginning of year	(295)	(286)
Attributable to disposal of subsidiary companies	285	-
Foreign exchange difference	10	(9)
At end of year	-	(295)
Net carrying value	**-**	**1,093**

18. INTANGIBLE ASSETS (CONT'D)

(d) Merchant bank licence

The merchant bank licence is for the contribution to Bank Negara Malaysia 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. As at 31 December 2011, there are no indications that require an impairment assessment of the merchant bank licence. The impairment assessment had been performed together with the goodwill impairment assessment disclosed in this note.

(e) Cambodian commercial banking and stockbroking licences

	Group	
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
At cost		
At beginning of year	12,790	12,562
Attributable to disposal of subsidiary companies	(12,305)	-
Foreign exchange difference	(485)	228
At end of year	**-**	**12,790**
Analysed by:		
Commercial banking licence	-	9,601
Stockbroking licence	-	3,189
	-	**12,790**

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

(f) Software licences

	Group	
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
At cost		
At beginning of year	28,532	17,137
Arising from acquisition of a subsidiary company	-	1,637
Transfer from office equipment	-	460
Additions	15,014	9,217
Disposal	(34)	-
Attributable to disposal of subsidiary companies	(43,357)	-
Foreign exchange difference	(148)	81
At end of year	**7**	**28,532**

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

(f) Software licences (Cont'd)

	Group	
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
Accumulated amortisation		
At beginning of year	(7,570)	(2,442)
Arising from acquisition of a subsidiary company	-	(1,533)
Amortisation (Note 33)		
- Continuing operations	(1)	(1)
- Discontinued operations	(3,965)	(3,401)
Transfer from office equipment	-	(159)
Disposal	33	-
Attributable to disposal of subsidiary companies	11,421	-
Foreign exchange difference	79	(34)
At end of year	(3)	(7,570)
Net carrying value	**4**	**20,962**

(g) Trademarks

	Group and Company	
	As at 31.12.12	As at 31.12.11
	RM'000	RM'000
At cost		
At beginning of year	69	38
Additions	58	31
At end of year	**127**	**69**

Impairment testing of goodwill and intangibles with indefinite lives

In the previous financial year, goodwill and trading rights had been allocated to six of the individually material cash-generating units ("CGU"), which were reportable segments, for impairment testing as follows:

- **Malaysian stockbroking and related activities CGU**

  The recoverable amount of the Malaysian stockbroking and related activities CGU had 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 was 8% and cash flows beyond the 5-year period were estimated as a terminal value computed by discounting future cash flows to present value.

  Purchased goodwill was attributable to one of the three stockbroking trading licences purchased by OSKIB. The recoverable amount of the Malaysian CGU was 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 had 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% was applied. The cash flows beyond the 5-year period were estimated as a terminal value computed by discounting future cash flows to present value.

18. INTANGIBLE ASSETS (CONT'D)

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

- **Hong Kong stockbroking CGU**

  The recoverable amount of the Hong Kong stockbroking CGU had 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% was applied. The cash flows beyond the 5-year period were 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 had 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% was applied. The cash flows beyond the 5-year period were 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 had 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% was applied. The cash flows beyond the 5-year period were estimated as a terminal value computed by discounting future cash flows to present value.

- **Cambodian stockbroking CGU**

  The Cambodian stockbroking CGU had not commenced operations as at the previous reporting date.

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

	Goodwill on consolidation [Note 18(a)]	Purchased goodwill [Note 18(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**

* 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 comprised the 2 trading licences acquired as stated below that had 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

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18. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in value-in-use calculation of Malaysian stockbroking CGU (Cont'd):

The key assumptions on which management had 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 was 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 was comparable to the average margin interest rate achieved in the year immediately before the budgeted year.

- Operational costs - Other operational costs were expected to increase in line with expected inflation or expansion of the investment banking business.

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

- Budgeted gross brokerage rate - The budgeted gross brokerage rate was 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 was comparable to the average margin interest rate achieved in the year immediately before the budgeted year.

- Operational costs - Other operational costs were 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 was determined based on the CGU's past performance and management's expectation for the market development.

- Operational costs - Other operational costs were 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 was determined based on the CGU's past performance and management's expectation for the market development.

- Operational costs - Other operational costs were 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 was determined based on the CGU's past performance and management's expectation for the market development.

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

19. DEPOSITS FROM CUSTOMERS

			Group
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Non-Mudharabah Fund			
Demand deposits	-	43,725	8,856
Saving deposits	-	18,452	12,415
Fixed deposits	-	2,314,405	2,146,033
Short term deposits	-	874,112	768,853
Negotiable instruments of deposit	-	303,633	119,331
Others	-	65	299
	-	3,554,392	3,055,787
Mudharabah Fund			
General investment deposits	-	1,185,523	828,601
	-	**4,739,915**	**3,884,388**

(a) By type of customer:

Local government and statutory bodies	-	906,887	693,666
Domestic non-bank financial institutions *	-	2,677,331	1,854,829
Business enterprises	-	840,051	1,191,870
Individuals	-	138,052	133,011
Foreign customers	-	177,298	10,713
Others	-	296	299
	-	**4,739,915**	**3,884,388**

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

(b) By maturity structure

Up to 3 months	-	3,582,357	3,245,728
3-12 months	-	1,109,726	616,665
1-5 years	-	47,832	21,995
	-	**4,739,915**	**3,884,388**

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

			Group
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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**

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21. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	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 7(c).

22. DERIVATIVE FINANCIAL LIABILITIES

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	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

The derivative financial liabilities are in relation to the disposal of subsidiary companies as disclosed in Note 38.

23. TRADE PAYABLES

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Amount due to:			
- clients, net of trust accounts	-	715,190	825,106
- brokers	-	520,132	822,338
- foreign securities clearing houses and stock exchanges	-	46,888	92,476
Unit trust payables	-	4,879	7,008
	-	**1,287,089**	**1,746,928**

The trade credit term for securities trading of OSKIB was 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 ranged from the same trading day to 2 market days. The normal trade credit term for unit trust funds was 10 days.

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24. OTHER LIABILITIES

	Note	Group			Company		
		As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Interest/income payable		77	45,655	39,943	-	-	-
Other payables, deposits and accruals	(a)	23,894	155,576	165,420	15,729	408	330
Amounts due to:							
- subsidiary companies	(b)	-	-	-	59,550	94,365	59,281
- an associated company	(c)	-	2,305	3,064	-	-	-
- an associated group	(d)	217	-	-	-	-	-
Fair value of financial guarantees given to banks for unexpired facilities in subsidiary companies		-	-	-	2,046	6,518	5,812
Profit equalisation reserve of Islamic banking operations	49(1)	-	2,285	996	-	-	-
		24,188	**205,821**	**209,423**	**77,325**	**101,291**	**65,423**

(a) Other payables, deposits and accruals

	Group			Company		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Other payables	6,538	17,630	18,360	2	2	1
Deposits:						
- trading deposits from dealers/futures broker representatives	-	43,562	42,693	-	-	-
- rental and utilities deposits from tenants	17	1,781	1,571	-	-	-
- other deposits	-	15	16	-	-	-
	17	45,358	44,280	-	-	-
Other accruals and provisions	17,339	92,588	102,780	15,727	406	329
	23,894	**155,576**	**165,420**	**15,729**	**408**	**330**

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24. OTHER LIABILITIES (CONT'D)

(b) Amounts due to subsidiary companies

	Company		
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Interest bearing	56,102	89,943	52,249
Non-interest bearing	3,448	4,422	7,032
	59,550	**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 4.40% to 4.54% (2011: 4.00% to 4.44%) per annum.

(c) Amounts due to an associated company

The amount due to an associated company in the previous financial year related to management fee payable to UOB-OSK Asset Management Sdn. Bhd. which was unsecured, interest-free and the normal credit term was 90 days.

(d) Amounts due to an associated group

The amount due to an associated group, being subsidiaries of an associated company, mainly comprised rental and utility deposits received from OSKIB which is unsecured and interest-free.

25. BORROWINGS

		Group			Company		
	Note	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unsecured							
- Revolving credits	(a)	156,650	205,562	289,820	-	-	-
- Short-term loans	(b)	-	33,433	116,365	-	-	-
- Bank overdraft	(c)	-	122	-	-	-	-
		156,650	239,117	406,185	-	-	-
Secured							
- Syndicated term loan	(d)	-	-	4,434	-	-	4,434
Total borrowings		**156,650**	**239,117**	**410,619**	**-**	**-**	**4,434**

25. BORROWINGS (CONT'D)

(a) Revolving credits

Repayment schedules of the revolving credits are as follows:

	Group		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Rolled over on:			
- daily basis	56,650	155,562	239,820
- monthly basis	100,000	50,000	50,000
	156,650	**205,562**	**289,820**

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

Ringgit Malaysia	156,650	177,970	230,000
United States Dollar	-	27,592	59,820
	156,650	**205,562**	**289,820**

The revolving credits of the subsidiary companies are supported by corporate guarantees from the Company.

(b) Short-term loans

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

	Group		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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 were secured by corporate guarantees by the Company and were repayable within one year.

(c) Bank overdraft

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

(d) Syndicated term loan

	Group and Company		
	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Syndicated term loan	**-**	**-**	**4,434**
The term loan was repayable as follows:			
Within one year	**-**	**-**	**4,434**

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26. SUBORDINATED NOTES

			Group
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	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 keep 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 were 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.

27. SHARE CAPITAL

	Group and Company Number of ordinary shares ('000)/ Amount (RM'000)	
	As at 31.12.12	**As at 31.12.11**
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	964,145	962,211
Exercise of ESOS	4,913	1,934
At end of year	**969,058**	**964,145**

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.

Executive Share Option Scheme

In 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 ESOS had expired on 17 February 2013.

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 were 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.

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27. SHARE CAPITAL (CONT'D)

Executive Share Option Scheme (Cont'd)

During the current year, the Company has issued 4,912,850 (2011: 1,933,849) new ordinary shares of RM1.00 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the exercise of options amounted to RM4,912,850 (RM1,933,849). As at 31 December 2012, there was no outstanding ESOS options.

1 Under MFRS 2, these outstanding options were granted after 7 November 2002 but vested before the effective date of MFRS 2 on 1 January 2005 and therefore not recognised in the financial statements, in accordance with the transitional requirements of MFRS 2.

2 These outstanding options were granted and vested after effective date of MFRS 2 on 1 January 2005. However the financial impact to the Group and the Company is immaterial and therefore not recognised in the financial statements, upon transition to MFRS framework.

3 These outstanding options were granted and vested after 1 January 2005 and therefore recognised in accordance with the requirements of MFRS 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 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

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

	Group and Company		
	As at 31.12.12 '000	As at 31.12.11 '000	As at 1.1.11 '000
Number of options granted since implementation of ESOS	44,161	44,161	44,161
Less:			
Number of options exercised since implementation of ESOS	(39,883)	(34,970)	(33,037)
Number of options forfeited since implementation of ESOS	(5,991)	(5,922)	(5,875)
Add: Bonus issue	1,713	1,713	1,713
Number of options outstanding	**-**	**4,982**	**6,962**

27. SHARE CAPITAL (CONT'D)

Executive Share Option Scheme (Cont'd)

(ii) Share options exercised during the year

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

	Exercise prices	Fair values of ordinary shares	Number of options	Consideration received
	RM	RM	'000	RM'000
2012				
March, July, September and October	1.00	1.38 to 1.81	521	521
January, March to May, July to October	1.00	1.38 to 1.84	1,643	1,643
May, September and October	1.00	1.38 to 1.74	780	780
February to June, September and October	1.00	1.35 to 1.81	1,969	1,969
			4,913	4,913
Less: Par value of ordinary shares				(4,913)
Share premium				-
2011				
January, September, November and December	1.00	1.31 to 2.15	89	89
January to December	1.00	1.31 to 2.15	1,119	1,119
January, April, October to December	1.00	1.57 to 2.15	245	245
January, March, May, October to December	1.00	1.57 to 2.15	481	481
			1,934	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	556	556
January	1.06	1.40	502	532
February to April	1.00	1.28 to 2.10	534	534
April, June, August and December	1.00	1.28 to 2.10	63	63
January to April, June, August, October to December	1.00	1.28 to 2.10	895	895
			2,550	2,580
Less: Par value of ordinary shares				(2,550)
Share premium				30

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27. SHARE CAPITAL (CONT'D)

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
	27.6.03	16.3.04	29.4.05	3.5.06
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	17.2.13	17.2.13	17.2.13	17.2.13
Risk-free interest rate:				
- before modification	3.80%	3.80%	3.80%	3.80%
- after modification	4.50%	4.50%	4.50%	4.50%
Dividend yield	6.74%	6.74%	6.74%	6.74%

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

28. TREASURY SHARES

	Group and Company	
	As at 31.12.12	**As at 31.12.11**
	RM'000	**RM'000**
At cost		
At beginning of year	29,789	29,785
Share buybacks	3	4
Distribution to shareholders of the Company (Note 37)	(29,008)	-
At end of year	**784**	**29,789**

	Group and Company	
	As at 31.12.12	**As at 31.12.11**
	'000	**'000**
Number of treasury shares		
At beginning of year	24,153	24,151
Share buybacks	2	2
Distribution to shareholders of the Company (Note 37)	(23,520)	-
At end of year	635	24,153
Total number of outstanding shares in issue	968,423	939,992
Total number of issued and fully paid ordinary shares	**969,058**	**964,145**

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

(i) the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's last audited retained profits and/or the share premium account at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

The Directors are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan is to the best interests of the Company and its shareholders. The repurchase transactions were mainly financed by internally generated funds coupled with minimum borrowings.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The Company may distribute the treasury shares as dividend to the shareholders or re-sell the treasury shares in the market in accordance with the Rules of Bursa Securities or cancel the shares in accordance with Section 67A of the Companies Act, 1965.

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28. TREASURY SHARES (CONT'D)

All the shares repurchased were conducted through OSKIB in the ordinary course of business on terms similar to those arranged with independent 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
2012					
At beginning of year	2.82	0.90	1.23	24,153	29,789
Share buybacks during the year:					
May 2012	1.62	1.62	1.66	1	2
November 2012	1.48	1.48	1.52	1	1
	1.62	1.48	1.59	2	3
Distribution to shareholders of the Company on 15 May 2012	-	-	-	(23,520)	(29,008)
At end of year	**2.82**	**0.90**	**1.23**	**635**	**784**
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**

* Average cost includes transaction costs.

On 15 May 2012, as disclosed in Note 37, the Company distributed 23,520,259 treasury shares together with the final dividend, in respect of the preceding financial year ended 31 December 2011, on a basis of one (1) treasury share for every forty (40) existing ordinary shares of RM1.00 each held in the Company at a total cost of RM29,007,748.

29. RESERVES

		Group			Company		
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Statutory reserves	(a)	-	239,537	228,992	-	-	-
Equity compensation reserve	(b)	-	581	779	-	581	779
Foreign exchange reserves		-	(12,991)	(20,652)	-	-	-
Available-for-sale reserves	(c)	-	(10,269)	(1,439)	-	-	-
Revaluation reserve	(d)	80,337	-	-	-	-	-
Other reserve	(e)	555	(846)	-	-	-	-
		80,892	216,012	207,680	-	581	779
Retained profits		1,395,951	310,018	318,615	1,349,301	19,203	59,049
		1,476,843	**526,030**	**526,295**	**1,349,301**	**19,784**	**59,828**

(a) Statutory reserves

The statutory reserves of the Group were provided by:

		Group		
		As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
(i)	OSKIB #	-	239,386	228,992
(ii)	OSK Securities (Thailand) Public Company Limited *	-	151	-
		-	**239,537**	**228,992**

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

* The statutory reserve of OSK Securities (Thailand) Public Company Limited ("OSKST"), a subsidiary company, was maintained in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand. OSKST was 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 27.

(c) Available-for-sale reserves

The available-for-sale reserves represent unrealised gains and losses arising from revaluation of securities available-for-sale held as at the reporting date in accordance with the requirements of MFRS 139 and BNM/GP8.

(d) Revaluation reserve

The revaluation reserve of the Group representing revaluation surplus on the owner-occupied properties under property and equipment were transferred to investment properties due to change in use as disclosed in Note 16.

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29. RESERVES (CONT'D)

(e) Other reserve

The other reserve was in relation to share of other reserves of associated companies as shown below:

	Group		
	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000
Foreign exchange reserves	563	-	-
Available-for-sale reserves	(45)	-	-
Other reserve	37	(846)	-
	555	**(846)**	**-**

30. INTEREST INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	20,758	15,721	-	-
Deposits and placements with financial institutions	-	27	1	28
Subsidiary company	-	-	463	-
Others	-	9	-	3
	20,758	**15,757**	**464**	**31**

31. INTEREST EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Borrowings	10,284	6,934	61	51
Subsidiary companies	-	-	1,607	2,803
	10,284	**6,934**	**1,668**	**2,854**

32. NON-INTEREST INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Fees and commission				
Loan processing, facility and commitment fees and carrying charges	**8,829**	**5,829**	**-**	**-**
(b) Net (loss)/gain arising from sales of securities				
Securities HFT	**(851)**	**5,667**	**(851)**	**731**
(c) Gross dividend income				
Securities held-for-trading	14	65	13	65
Securities available-for-sale	-	11	-	-
Unquoted subsidiary companies in Malaysia	-	-	78,700	11,867
	14	**76**	**78,713**	**11,932**
(d) Unrealised gain/(loss) on revaluation of trading securities				
Securities held-for-trading	**1,777**	**(6,027)**	**1,777**	**(4,590)**
(e) Unrealised loss from foreign exchange translations	**(382)**	**-**	**(382)**	**-**
(f) Other income				
Net gain on disposal of property and equipment	5	-	-	-
Realised gain/(loss) on foreign exchange	44	(205)	44	(205)
Rental income	9,033	7,354	-	-
Sales of oil palm produce	222	202	-	-
Gain/(loss) on members' voluntary winding up of subsidiary companies	-	110	-	(78)
Financial guarantee income capitalised as investment in subsidiary companies	-	-	9,663	8,852
Gain on revaluation of an investment property (Note 16)	-	15,000	-	-
Others	2,400	191	-	-
	11,704	**22,652**	**9,707**	**8,569**
Total non-interest income	**21,091**	**28,197**	**88,964**	**16,642**

NOTES TO THE FINANCIAL STATEMENTS
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33. OTHER OPERATING EXPENSES

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
(a) Other operating expenses comprised of:				
(i) Personnel expenses				
Salaries, allowances, bonuses and other emoluments	13,946	3,627	10,514	548
Pension costs - defined contribution plan	495	399	39	43
Others	144	172	-	-
	14,585	**4,198**	**10,553**	**591**
(ii) Promotional, marketing and trading expenses				
Advertisement and promotion	30	303	27	13
Fees and charges	626	144	4	3
Others	41	-	-	-
	697	**447**	**31**	**16**
(iii) Establishment related expenses				
Depreciation and amortisation	2,017	2,109	1	1
Insurance	219	193	-	5
Rental of premises	2	2	-	-
Repair and maintenance	755	1,003	3	-
Utility expenses	1,643	1,611	-	-
Others	1,319	1,251	-	-
	5,955	**6,169**	**4**	**6**
(iv) General administrative expenses				
Communication expenses	162	85	114	36
Legal and professional fees	273	386	132	117
Printing and stationery	318	233	272	208
Administrative expenses	1,345	790	384	253
	2,098	**1,494**	**902**	**614**
Total other operating expenses	**23,335**	**12,308**	**11,490**	**1,227**

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

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
(b) Included in the income statements are the followings (continuing operations and discontinued operations):					
Auditors' remuneration					
(i) Statutory audit - current year					
- Parent auditors		233	345	114	47
- an affiliate of Parent auditors		105	131	-	-
- other firms		652	746	-	-
(ii) Other services - current year					
- Parent auditors		126	21	71	3
		1,116	1,243	185	50
Amortisation of software licences	18(f)	3,966	3,402	-	-
Depreciation	17	17,233	17,918	1	1
Directors' remuneration	39(a)				
(i) Fees - current year		678	737	188	188
(ii) Other emoluments		4,382	25,610	365	353
		5,060	26,347	553	541
Rental income		(9,033)	(7,354)	-	-
Rental of equipment		4,315	4,999	-	-
Rental of premises		18,461	20,835	-	-
Reversal of amortisation for trading rights	18(c)	-	(165)	-	-
Net loss on disposals of property and equipment		575	23	-	-
Gain on disposal of intangible assets		-	(2,197)	-	-
Gain on disposal of subsidiary companies	38(b)	(857,686)	-	(1,369,839)	-
Gain on revaluation of an investment property		-	(15,000)	-	-
Impairment loss on goodwill on consolidation	18(a)	166	-	-	-
Impairment loss on subsidiary companies		-	-	8,516	-
Loss on members' voluntary winding up of subsidiary companies		-	455	-	78
Staff costs:					
- Pension costs - defined contribution plans		17,144	17,209	-	-
- social security costs		1,004	1,045	-	-
- salaries, allowances, bonuses and other emoluments		229,792	227,631	-	-
- other staff related expenses		9,701	14,248	-	-
		257,641	260,133	-	-
Equipment written off	17	17	20	-	-

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

	Note	Group 2012 RM'000	Group 2011 RM'000
(a) (Allowance for)/write back of impairment losses on loans, advances and financing			
Individual assessment			
- Made		(24,575)	(1,150)
- Written back		530	944
		(24,045)	(206)
Collective assessment (net)			
- (Made)/written back	9(b)(ii)	(2,032)	226
		(26,077)	20
Bad debts			
- Recovered		145	1,687
- Written off		(10)	(63)
		(25,942)	**1,644**

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
(b) Allowance for impairment losses on investments and intangible asset				
Goodwill on consolidation	(166)	-	-	-
Subsidiary companies	-	-	(8,516)	-
	(166)	**-**	**(8,516)**	**-**

35. INCOME TAX (EXPENSE)/BENEFIT AND ZAKAT

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing Operations:					
In respect of the current year Malaysian income tax		(3,107)	(5,754)	(10,575)	(490)
(Under)/over provision in respect of prior years Malaysian income tax		(208)	18	29	-
Deferred taxation:					
Deferred tax assets	13(a)	2,379	-	-	-
Deferred tax liabilities	13(b)	436	682	4	682
		2,815	682	4	682
		(500)	**(5,054)**	**(10,542)**	**192**

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

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Discontinued Operations:					
In respect of the current year					
Malaysian income tax		(24,580)	(6,578)	-	-
Foreign income tax		(1,995)	(7,963)	-	-
		(26,575)	(14,541)	-	-
(Under)/over provision in respect of prior years					
Malaysian income tax		(925)	(8,462)	-	-
Foreign income tax		308	60	-	-
		(617)	(8,402)	-	-
Deferred taxation:					
Deferred tax assets	13(a)	(612)	2,711	-	-
Deferred tax liabilities	13(b)	(1,857)	3,393	-	-
		(2,469)	6,104	-	-
Income tax expense		(29,661)	(16,839)	-	-
Zakat		(115)	(5)	-	-
	38(c)	**(29,776)**	**(16,844)**	**-**	**-**
Income tax (expense)/benefit		**(30,276)**	**(21,898)**	**(10,542)**	**192**
Deferred taxation is further analysed as follow:					
Continuing Operations:					
Origination and reversal of temporary differences		1,538	682	4	682
Over provision in prior year		1,277	-	-	-
		2,815	**682**	**4**	**682**
Discontinued Operations:					
Origination and reversal of temporary differences		(2,825)	(3,385)	-	-
Over provision in prior year		356	9,489	-	-
		(2,469)	**6,104**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
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35. 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	2012	2011
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%	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% (2011: 25%) on the profit before tax and the tax expense of Continuing Operations and Discontinued Operations is as follows:

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax ("PBT")					
- Continuing Operations		15,033	26,356	67,754	12,592
- Discontinued Operations	38(c)	972,621	68,659	1,369,839	-
		987,654	**95,015**	**1,437,593**	**12,592**
Tax at Malaysian statutory tax rate on PBT		246,914	23,754	359,398	3,148
Effects of:					
- different tax rates in foreign jurisdictions/other authorities		(312)	46	-	-
- non-taxable income		(226,051)	(11,148)	(354,246)	(3,340)
- non-deductible expenses		10,545	8,044	5,419	-
Deferred tax asset not recognised		18	2,467	-	-
Utilisation of tax losses and capital allowances not recognised in prior year		(30)	(160)	-	-
Under/(over) provision of tax in prior years		825	8,384	(29)	-
Over provision of deferred tax in prior years		(1,633)	(9,489)	-	-
Income tax expense/(benefit)		**30,276**	**21,898**	**10,542**	**(192)**

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

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 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the S108 balance and the exempt income account to pay franked dividends up to RM107,460,084 out of its entire retained profits account.

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

	Group	
	2012 RM'000	**2011 RM'000**
Unused tax losses	15,485	79,265
Unabsorbed capital allowances	155	622
	15,640	**79,887**

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.

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36. EARNINGS PER SHARE

	Group	
	2012	**2011**
(a) Basic earnings per share		
Profit attributable to owners of the Company (RM'000)		
- Continuing Operations	14,533	21,302
- Discontinued Operations [Note38(c)]	930,392	31,449
	944,925	**52,751**
Weighted average number of ordinary shares in issue ('000)	**956,995**	**939,130**
Basic EPS (sen)		
Continuing Operations	1.52	2.27
Discontinued Operations	97.22	3.35
	98.74	**5.62**
(b) Diluted earnings per share		
Profit attributable to owners of the Company (RM'000)		
- Continuing Operations	14,533	21,302
- Discontinued Operations [Note38(c)]	930,392	31,449
	944,925	**52,751**
Weighted average number of ordinary shares in issue ('000)	956,995	939,130
Effect of dilution on assumed exercise of options granted under ESOS ('000)	-	2,015
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**956,995**	**941,145**
Diluted EPS (sen)		
Continuing Operations	1.52	2.26
Discontinued Operations	97.22	3.34
	98.74	**5.60**

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. As at 31 December 2012, the remaining ESOS options were exercised/forfeited and there were no potential ordinary shares.

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37. DIVIDENDS

	Group and Company			
	Amount		Net dividend per share	
	2012 RM'000	2011 RM'000	2012 Sen	2011 Sen
For the year ended 31 December 2012				
First interim dividend of 2.5 sen per share less 25% income tax, paid on 18 September 2012	18,092	-	1.875	-
Second interim dividend of 5.0 sen per share less 25% income tax, paid on 20 December 2012	36,316	-	3.750	-
For the year ended 31 December 2011				
Final dividend of 2.0 sen per share less 25% income tax, paid on 15 May 2012	14,118	-	1.500	-
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
	68,526	**52,828**	**7.125**	**5.625**

On 15 May 2012, the Company distributed 23,520,259 treasury shares together with the final dividend, in respect of the preceding financial year ended 31 December 2011, on a basis of one (1) treasury share for every forty (40) existing ordinary share of RM1.00 each held in the Company and total cost of treasury shares distributed amounting to RM29,007,748 as disclosed in Note 28.

The Board of Directors recommends a final dividend of 2.5 sen per share less 25% income tax (2011: 2.0 sen per share less 25% income tax and a distribution of one (1) treasury share for every forty (40) ordinary shares held). The proposed dividend is 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. 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 2013.

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38. DISPOSAL OF SUBSIDIARY COMPANIES

On 9 November 2012, the Company had completed the disposal of the following entities (collectively reffered to as the "disposal of subsidiary companies"):-

a) 100% equity interest in OSKIB;
b) 20% equity interest in OSK Trustees Berhad ("OSKT");
c) 20% equity interest in Malaysian Trustees Berhad ("MTB"); and
d) 100% equity interest in OSK Investment Bank (Labuan) Limited

for a total disposal consideration of RM2,094.5 million satisfied through the issuance of 245.0 million new ordinary shares of RM1.00 each in RHB Capital Berhad and cash of RM222.7 million.

(a) Profit after tax from discontinued operations

	Group RM'000	Company RM'000
Results of discontinued operations	85,159	-
Gain arising from disposal of subsidiary companies	857,686	1,369,839
	942,845	**1,369,839**

(b) The effects of the disposal of subsidiary companies on the Company's and the Group's financial statements

	RM'000
Cash proceeds	222,700
245.0 million new ordinary shares of RM1.00 each in RHB Capital Berhad, capitalised as investment in an associated company (Note 15)	1,871,800
Total disposal proceeds	2,094,500
Less: Expenses incurred on disposal	(24,596)
Net disposal proceeds	2,069,904
Reversal of financial guarantee deferred income relating to subsidiary companies disposed at Company level	(18,515)
	2,051,389
Less: Cost of investment in subsidiary companies disposed	(681,550)
Gain on disposal of subsidiary companies at Company level [Note 38(c)]	1,369,839
Add: Expenses eliminated at Group level	400
Add: Reversal of Company level adjustment on financial guarantee deferred income	18,515
	1,388,754
Post acquisition reserves recognised up to the date of disposal	(519,539)
Realisation of foreign exchange reserves	(28,673)
Realisation of available-for-sale reserves	17,144
Gain on disposal of subsidiary companies at Group level [Note 38(c)]	**857,686**

38. DISPOSAL OF SUBSIDIARY COMPANIES (CONT'D)

(c) Income Statements for the discontinued operations

The income statements of the disposal of subsidiary companies for period up to 9 November 2012, completion date of the disposal, are shown below:-

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Revenue		**865,240**	**1,022,430**	**-**	**-**
Interest income		262,028	285,032	-	-
Interest expense		(169,429)	(193,106)	-	-
Net interest income		92,599	91,926	-	-
Net income from Islamic banking operations	49(b)	8,247	8,984	-	-
Non-interest income					
- Gain on disposal of subsidiary companies [Note 38(b)]		857,686	-	1,369,839	-
- Others		566,294	697,132	-	-
Other operating expenses		(567,966)	(657,564)	-	-
Write back of/(allowance for) impairment losses on loans, advances and financing		753	(1,951)	-	-
Allowance for impairment losses on trade and other receivables		-	(2,587)	-	-
Write back of/(allowance for) impairment losses on investments		12,711	(70,083)	-	-
Share of profits of associated companies		2,297	2,802	-	-
Profit before tax from discontinued operations		972,621	68,659	1,369,839	-
Income tax expense and zakat	35	(29,776)	(16,844)	-	-
Profit after tax for the year from discontinued operations		**942,845**	**51,815**	**1,369,839**	**-**
Profit attributable to:					
Owners of the Company		930,392	31,449	1,369,839	-
Non-controlling interests		12,453	20,366	-	-
		942,845	**51,815**	**1,369,839**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

38. DISPOSAL OF SUBSIDIARY COMPANIES (CONT'D)

(d) Statement of comprehensive income for the discontinued operations

The statement of comprehensive income of the disposal of subsidiary companies for period up to 9 November 2012, completion date of the disposal, are shown below:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit after tax for the year from discontinued operations	942,845	51,815	1,369,839	-
Other comprehensive (loss)/ income				
Foreign currency translation (loss)/ gain	(19,788)	11,895	-	-
Reversal of available-for-sale gain upon disposal	(4,764)	(6,020)	-	-
Unrealised net gain on revaluation of securities available-for-sale	40,425	1,889	-	-
Share of other reserves in an associated group	(213)	(846)	-	-
Actuarial losses on defined benefit plan in subsidiary companies	(1,413)	-	-	-
Income tax relating to components of other comprehensive (income)/loss	(9,046)	1,935	-	-
Other comprehensive income for the year, net of tax	5,201	8,853	-	-
Total comprehensive income for the year, net of tax	**948,046**	**60,668**	**1,369,839**	-
Total comprehensive income attributable to:				
Owners of the Company	941,193	29,434	1,369,839	-
Non-controlling interests	6,853	31,234	-	-
	948,046	**60,668**	**1,369,839**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

38. DISPOSAL OF SUBSIDIARY COMPANIES (CONT'D)

(e) Statements of cash flows for the discontinued operations

The cash flows attributable to the disposal of subsidiary companies for period up to 9 November 2012, the completion date of the disposal, are as follows:-

	Group	
	2012 RM'000	**2011 RM'000**
Operating activities	2,830	784,429
Investing activities	(32,255)	(146,922)
Financing activities	136,012	1,923
Net cash inflows	**106,587**	**639,430**

(f) Monies held in trust and corresponding liabilities in accordance with FRSIC Consensus 18

	Group
	2011 RM'000
Short term funds and deposits for clients' and remisiers accounts	1,041,730
Receivables from brokers and clearing houses on behalf of clients	59,303
Deposits received from remisiers	(935)
Amounts due to clients' held in trust	(1,100,098)
	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

38. DISPOSAL OF SUBSIDIARY COMPANIES (CONT'D)

(g) The disposal of subsidiary companies had the following effects on the financial position of the Group:

	Note	As at 9.11.2012 completion date of the disposal of subsidiary companies RM'000
Cash and short term funds		1,475,551
Deposits and placements with a bank		112,049
Securities portfolio		
- Securities held-for-trading		434,184
- Securities held-to-maturity		498,473
- Securities available-for-sale		3,855,880
		4,788,537
Derivative financial assets		616
Loans, advances and financing		1,973,407
Tax recoverable		26,050
Trade receivables		2,439,455
Other assets		245,065
Statutory deposits with Central Banks		235,377
Deferred tax assets	13(a)	2,444
Investments in associated companies and a jointly controlled entity		25,901
Equipment		72,594
Intangible assets		241,716
Deposits from customers		(5,966,330)
Deposits and placements of banks and other financial institutions		(850,680)
Obligations on securities sold under repurchase agreements		(235,081)
Obligations on securities borrowed		(99,678)
Derivative financial liabilities		(28,643)
Trade payables		(2,104,412)
Other liabilities		(229,094)
Tax payable		(8,836)
Deferred tax liabilities	13(b)	(9,176)
Borrowings		(206,927)
Subordinated notes		(400,000)
Non-controlling interests		(298,816)
Net assets		1,201,089
Transfer from foreign exchange reserves		28,673
Transfer from available-for-sale reserves		(17,144)
		1,212,618
245.0 million new ordinary shares of RM1.00 each in RHBC, capitalised as investment in an associated company	15	(1,871,800)
Gain on disposal of subsidiary companies at Group level		857,686
Net cash proceeds from disposal of subsidiary companies		198,504
Cash and cash equivalents		(1,431,372)
Net cash outflow from disposal of subsidiary companies		**(1,232,868)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

39. 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's 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's compensation is as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Directors:				
Executive				
Fees - current year	113	-	30	-
Other emoluments	1,914	-	-	-
Total for Executive Directors	**2,027**	**-**	**30**	**-**
Non-Executive				
Fees - current year	565	737	158	188
Other emoluments	2,149	24,224	326	315
	2,714	24,961	484	503
Estimated money value of benefits-in-kind	24	96	-	-
Total short-term employee benefits	2,738	25,057	484	503
Post-employment benefits				
- Defined contribution plan	295	1,290	39	38
Total for Non-Executive Directors	**3,033**	**26,347**	**523**	**541**
Total for Directors	**5,060**	**26,347**	**553**	**541**
Other key management personnel:				
Short-term employee benefits	49,285	45,848	-	-
Post-employment benefits				
- Defined contribution plan	3,416	2,727	-	-
	52,701	**48,575**	**-**	**-**
Total for key management personnel compensation	**57,761**	**74,922**	**553**	**541**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Directors' remuneration

The Directors' remuneration included in other operating expenses as disclosed in Note 39(a) and 33(a)(i) are paid/payable to the following Non-Executive Directors other than Tan Sri Ong Leong Huat @ Wong Joo Hwa who was re-designated as Group Managing Director/Chief Executive Officer of the Company with effect from 9 November 2012:

2012 / 2011
Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Foo San Kan
Dr. Ngo Get Ping
Dato' Abdul Majit bin Ahmad Khan

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	
	2012	**2011**
RM100,001 up to RM150,000	2	2
RM150,001 up to RM200,000	1	1
RM500,001 up to RM550,000	-	1
RM550,001 up to RM600,000	1	-
RM1,150,001 up to RM1,200,000	-	-
RM2,000,001 up to RM2,050,000	2	-
RM2,600,001 up to RM2,650,000	-	1
RM22,600,001 up to RM22,650,000	-	1
	6	**6**

(c) Subsidiary and associated companies

The relationship and outstanding balances between the Company and its subsidiary and associated companies are disclosed in Notes 43, 11(b), 14 and 24(b) and Notes 11(c), 15, 24(c) and 24(d) respectively. The transactions with subsidiary companies during the year are as follows:

Transaction value with subsidiary companies

	Company	
	2012 RM'000	**2011 RM'000**
Interest income	(463)	-
Interest expenses	1,607	2,803

39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(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 Tan Sri Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim.

(i) PJ Development Holdings Berhad group of companies

Identities	Nature of transactions	Group 2012 RM'000	Group 2011 RM'000
PJD Management Services Sdn. Bhd.	Office rental and parking fees received	(801)	(822)
Swiss Garden International Vacation Club Berhad	Office rental and parking fees received	-	(100)
Swiss Garden International Sdn. Bhd.	Office rental and parking fees received	(112)	(170)

(ii) Dindings Consolidated Sdn. Bhd. group of companies

Identities	Nature of transactions	Group 2012 RM'000	Group 2011 RM'000
Dindings Construction Sdn. Bhd.	Office rental and parking fees received	(133)	(138)
Dindings Consolidated Sdn. Bhd.	Office rental and parking fees received	(151)	(156)
DC Services Sdn. Bhd.	Insurance premium paid	66	76
Dinding Risks Management Services Sdn. Bhd.	Insurance premium paid	339	721
Dindings Life Agency Sdn. Bhd.	Insurance premium paid	1,704	140

(iii) OSK Property Holdings Berhad group of companies

Identities	Nature of transactions	Group 2012 RM'000	Group 2011 RM'000
OSK Property Holdings Berhad	Advisory fee	(250)	(203)
	Interest expense on placements	254	148
OSK Properties Sdn. Bhd.	Office rental and parking fees received	(403)	(263)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

39. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(d) Other related parties (Cont'd)

(iv) OSK Ventures International Berhad group of companies

Identities	Nature of transactions	Group 2012 RM'000	Group 2011 RM'000
OSK Ventures International Berhad	Interest expense on placements	1,836	957
OSK Ventures Equities Sdn. Bhd.	Office rental and parking fees received	(136)	(126)
Finexasia.com Sdn. Bhd.	Office rental and parking fees received	(69)	(69)
	Support services fee income	(100)	(119)
	Interest expense on placements	476	465
	Annual maintenance fee	683	820
	Online trading access fee	6,821	7,607
	Corporate website development fee and hosting fee expenses	101	124

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

Identities	Nature of transactions	Group 2012 RM'000	Group 2011 RM'000
Symphony Share Registrars Sdn. Bhd., a subsidiary company of Symphony House Berhad	Share registrars fee and maintenance fee for structure warrants	644	590
Allianz Life Insurance Malaysia Berhad	Insurance purchased via DC Services Sdn. Bhd.	9	1,409

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.

40. UNRECOGNISED CONTRACTUAL COMMITMENTS

			Group
	As at 31.12.12	**As at 31.12.11**	**As at 1.1.11**
	RM'000	**RM'000**	**RM'000**
(a) Capital commitments			
Contracted but not provided for:			
- Acquisition of office equipment and software	627	3,260	8,584
- Acquisition of machinery	463	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
	1,090	**66,497**	**80,399**

Banking-related commitments and contingencies are disclosed in Note 48.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

41. CONTINGENT LIABILITIES

	Group			Company		
	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Unsecured:						
Corporate guarantees given to licensed banks for facilities granted to subsidiaries:						
- Denominated in RM	-	-	-	156,650	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**	**156,650**	**243,377**	**338,162**

42. 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 and Futures Broking, Nominee Services and related services.
Wealth Management	-	Unit Trust Fund Management, Islamic Funds Services, Wills and Trustee Services and Asset Management.
Property Investment	-	Management and Letting of Properties.
Investment Holding	-	Investment Holding Companies.
Others	-	Online trading platform for equities business and other insignificant activities.

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 segmental information for both current and preceding year to date have been re-presented due to the adoption of MFRS 5. The major business segments of continuing operations consist of Loans and Financing, Property Investment, Investment Holding and others, which are regularly provided to and reviewed by the different operating decision makers.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

2012	Continuing operations							
	Loans & Financing	Property Investment	Investment Holding	Others	Elimination with Discontinued Operations	Total	Investment Banking	Loans & Financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
External parties	31,770	9,477	602	-	-	**41,849**	279,475	139,650
Inter-segment revenue	-	11,276	79,164	-	(9,379)	**81,061**	411	470
Total	**31,770**	**20,753**	**79,766**	**-**	**(9,379)**	**122,910**	**279,886**	**140,120**
Results								
Profit/(loss) from operations with external parties	3,025	739	(88,547)	(12)	-	**(84,795)**	195,400	103,865
Add : Inter segment revenue	-	11,276	79,164	-	(9,379)	**81,061**	411	470
Less : Inter segment expenses	(933)	(246)	(1,608)	-	1,010	**(1,777)**	(2,380)	-
Profit/(loss) before funding costs	2,092	11,769	(10,991)	(12)	(8,369)	**(5,511)**	193,431	104,335
Less: funding cost	(10,347)	(1,960)	(60)	-	-	**(12,367)**	(122,179)	(41,920)
Segment (losses)/profits	(8,255)	9,809	(11,051)	(12)	(8,369)	**(17,878)**	71,252	62,415
Share of profits of associated companies	-	-	32,911	-	-	**32,911**	-	-
(Loss)/profit before tax	**(8,255)**	**9,809**	**21,860**	**(12)**	**(8,369)**	**15,033**	**71,252**	**62,415**
Income tax expense and zakat						**(500)**		
Profit after tax from continuing operations						**14,533**		
Profit after tax from discontinued operations								
Profit attributable to owners of the Company								

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

Discontinued operations										
Equities & Futures	Wealth Management	Investment Holding	Others	Elimination with Continuing Operations	Total	Grand Total	Eliminations	Consolidated	Adjustments for discontinued operations	Total shown in Income Statements
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
317,488	127,355	(511)	1,783	-	865,240	907,089	-	907,089	(865,240)	41,849
4,668	1,967	11,737	-	(1,010)	18,243	99,304	(99,304)	-	-	-
322,156	129,322	11,226	1,783	(1,010)	883,483	1,006,393	(99,304)	907,089	(865,240)	41,849
(20,786)	11,600	846,632	1,484	-	1,138,195	1,053,400	78,759	1,132,159	(1,139,753)	(7,594)
4,668	1,967	11,737	-	(1,010)	18,243	99,304	(99,304)	-	-	-
(16,835)	(3,902)	(226)	-	9,379	(13,964)	(15,741)	15,741	-	-	-
(32,953)	9,665	858,143	1,484	8,369	1,142,474	1,136,963	(4,804)	1,132,159	(1,139,753)	(7,594)
(7,654)	(13)	(363)	(21)	-	(172,150)	(184,517)	4,804	(179,713)	169,429	(10,284)
(40,607)	9,652	857,780	1,463	8,369	970,324	952,446	-	952,446	(970,324)	(17,878)
-	838	-	1,459	-	2,297	35,208	-	35,208	(2,297)	32,911
(40,607)	10,490	857,780	2,922	8,369	972,621	987,654	-	987,654	(972,621)	15,033
					(29,776)					(500)
					942,845					14,533
										942,845
										957,378

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

2011	Continuing operations Loans & Financing RM'000	Property Investment RM'000	Investment Holding RM'000	Others RM'000	Elimination with Discontinued Operations RM'000	Total RM'000	Investment Banking RM'000	Loans & Financing RM'000
Revenue								
External parties	25,255	7,559	(3,860)	-	-	**28,954**	313,670	138,302
Inter-segment revenue	-	13,132	20,720	-	(11,203)	**22,649**	886	739
Total	**25,255**	**20,691**	**16,860**	**-**	**(11,203)**	**51,603**	**314,556**	**139,041**
Results								
Profit/(loss) from operations with external parties	24,353	14,031	(23,977)	(9)	-	**14,398**	145,785	84,479
Add : Inter segment revenue	-	13,132	20,720	-	(11,203)	**22,649**	886	739
Less : Inter segment expenses	(481)	(161)	(1,829)	-	539	**(1,932)**	(2,766)	-
Profit/(loss) before funding costs	23,872	27,002	(5,086)	(9)	(10,664)	**35,115**	143,905	85,218
Less: funding cost	(6,884)	(1,823)	(52)	-	-	**(8,759)**	(153,246)	(29,294)
Segment profits/(losses)	16,988	25,179	(5,138)	(9)	(10,664)	**26,356**	(9,341)	55,924
Share profits of associated companies	-	-	-	-	-	**-**	-	-
Profit/(loss) before tax	**16,988**	**25,179**	**(5,138)**	**(9)**	**(10,664)**	**26,356**	**(9,341)**	**55,924**
Income tax expense and zakat						**(5,054)**		
Profit after tax from continuing operations						**21,302**		
Profit after tax from discontinued operations								
Profit attributable to owners of the Company								

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

Discontinued operations										
Equities & Futures	Wealth Management	Investment Holding	Others	Elimination with Continuing Operations	Total	Grand Total	Elimina-tions	Conso-lidated	Adjustments for discontinued operations	Total shown in Income Statements
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
443,384	119,874	4,653	2,547	-	**1,022,430**	1,051,384	-	1,051,384	(1,022,430)	**28,954**
7,634	2,233	21,925	-	(539)	**32,878**	55,527	(55,527)	-	-	**-**
451,018	**122,107**	**26,578**	**2,547**	**(539)**	**1,055,308**	**1,106,911**	**(55,527)**	**1,051,384**	**(1,022,430)**	**28,954**
26,040	7,392	(21,322)	2,767	-	**245,141**	259,539	32,714	292,253	(258,963)	**33,290**
7,634	2,233	21,925	-	(539)	**32,878**	55,527	(55,527)	-	-	**-**
(19,011)	(4,971)	-	-	11,203	**(15,545)**	(17,477)	17,477	-	-	**-**
14,663	4,654	603	2,767	10,664	**262,474**	297,589	(5,336)	292,253	(258,963)	**33,290**
(13,767)	-	(308)	(2)	-	**(196,617)**	(205,376)	5,336	(200,040)	193,106	**(6,934)**
896	4,654	295	2,765	10,664	**65,857**	92,213	-	92,213	(65,857)	**26,356**
-	883	-	1,919	-	**2,802**	2,802	-	2,802	(2,802)	**-**
896	**5,537**	**295**	**4,684**	**10,664**	**68,659**	**95,015**	**-**	**95,015**	**(68,659)**	**26,356**
					(16,844)					**(5,054)**
					51,815					**21,302**
										51,815
										73,117

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31.12.12	Investment Banking, Equities & Futures and Loans & Financing RM'000	Commercial Banking RM'000	Wealth Management RM'000	Property Investment RM'000	Investment Holding RM'000	Others RM'000	Consolidated RM'000
Assets							
Tangible assets	320,000	-	-	361,885	26,935	7	708,827
Intangible assets	4	-	-	-	127	-	131
	320,004	-	-	361,885	27,062	7	708,958
Investments in an associated company	1,905,100	-	-	-	-	-	1,905,100
Segment assets	2,225,104	-	-	361,885	27,062	7	2,614,058
Unallocated assets							12,206
Consolidated total assets							**2,626,264**
Liabilities							
Segment liabilities	109,056	-	-	56,033	15,729	20	180,838
Unallocated liabilities							309
Consolidated total liabilities							**181,147**
Other information							
Capital expenditure	32,609	509	462	1,643	623	58	**35,904**

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments (Cont'd)

As at 31.12.11	Investment Banking, Equities & Futures and Loans & Financing	Commercial Banking	Wealth Management	Property Investment	Investment Holding	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Tangible assets	8,756,226	317,462	30,471	282,577	30,889	15,003	9,432,628
Intangible assets	162,200	14,151	657	-	52,858	2,171	232,037
	8,918,426	331,613	31,128	282,577	83,747	17,174	9,664,665
Investment in associated companies and jointly controlled entity	-	-	16,867	-	-	6,527	23,394
Segment assets	8,918,426	331,613	47,995	282,577	83,747	23,701	9,688,059
Unallocated assets							19,444
Consolidated total assets							**9,707,503**
Liabilities							
Segment liabilities	7,650,994	206,592	15,238	52,850	458	4,509	7,930,641
Unallocated liabilities							15,288
Consolidated total liabilities							**7,945,929**
Other information							
Capital expenditure	36,994	333	612	4,208	24	256	**42,427**

42. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group operated in six geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia, Cambodia and Thailand up to the date of disposal of subsidiary companies. Thereafter, the Group operates in Malaysia only. 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 properties, property and equipment and intangible assets.

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

	Continuing operations	Discontinued operations										
	Domestic	Domestic	Foreign Countries									
	Malaysia	Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia	Thailand	Sub-total	Total	Consolidated	Adjustments for discontinued operations	Adjusted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012												
Revenue	**41,849**	637,905	122,048	25,435	40,859	19,830	19,163	227,335	**865,240**	907,089	(865,240)	**41,849**
Profit/(loss) before tax	**15,033**	973,798	18,212	(12,554)	(2,025)	2,062	(6,872)	(1,177)	**972,621**	987,654	(972,621)	**15,033**
Capital expenditure	**1,792**	20,215	3,028	1,066	1,657	509	7,637	13,897	**34,112**	35,904	-	**35,904**
Total non-current assets	**2,263,553**	-	-	-	-	-	-	-	**-**	2,263,553	-	**2,263,553**
2011												
Revenue	**28,954**	734,992	146,178	52,287	63,596	15,853	9,524	287,438	**1,022,430**	1,051,384	(1,022,430)	**28,954**
Profit/(loss) before tax	**26,356**	46,857	30,013	(11,037)	5,970	(3,827)	683	21,802	**68,659**	95,015	(68,659)	**26,356**
Capital expenditure	**4,849**	20,914	10,258	526	2,944	889	2,047	16,664	**37,578**	42,427	-	**42,427**
Total non-current assets	**277,430**	285,830	11,288	4,453	6,235	15,750	3,199	40,925	**326,755**	604,185	-	**604,185**

43. SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND A JOINTLY CONTROLLED ENTITY

The proportion of voting power held is equal to proportion of ownership interest. The subsidiary companies, 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 As at 31.12.12 %	Proportion of Ownership Interest As at 31.12.11 %
(a)	**Subsidiary companies of the Company:**				
*	OSKIB (a Participating Organisation of Bursa Malaysia Securities Berhad and an Investment Bank)	Malaysia	Stock broking and investment banking activities	- Note 44(h)	100.00
*	OSK Investment Bank (Labuan) Limited	Federal Territory of Labuan, Malaysia	Labuan investment banking activities	- Note 44(h)	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)	**Associated company of the Company:**				
*	RHB Capital Berhad	Malaysia	The Group is involved in commercial banking, Islamic banking, investment banking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.	9.82 Note 44(h)	-

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

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest As at 31.12.12 %	Proportion of Ownership Interest As at 31.12.11 %
(c)	**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)	- Note 44(h)	100.00
*	KE-ZAN Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	- Note 44(h)	100.00
*	OSK Nominees (Tempatan) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders	- Note 44(h)	100.00
*	OSK Nominees (Asing) Sdn. Berhad	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders	- Note 44(h)	100.00
*	TCL Nominees (Tempatan) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for local beneficial shareholders (inactive)	- Note 44(h)	100.00
*	TCL Nominees (Asing) Sdn. Bhd.	Malaysia	To act as attorneys, nominees' agents, trustees and related activities for foreign beneficial shareholders (inactive)	- Note 44(h)	100.00
*	OSK Research Sdn. Bhd.	Malaysia	Investment research services	- Note 44(h)	100.00
*	OSK International Asset Management Sdn. Bhd.	Malaysia	Fund management	- Note 44(h)	100.00
*	OSK Futures And Options Sdn. Bhd.	Malaysia	Inactive	- Note 44(h)	100.00
#	OSK Indochina Bank Limited	Cambodia	Commercial bank	- Note 44(h)	100.00

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

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest As at 31.12.12 %	Proportion of Ownership Interest As at 31.12.11 %
(c)	**Subsidiary companies of OSKIB: (Cont'd)**				
*	OSK International Investments Pte. Ltd.	Singapore	Investment holding	- Note 44(h)	100.00
*	OSK Holdings Hong Kong Limited	Hong Kong	Investment holding	- Note 44(h)	93.50
*	OSK-UOB Investment Management Berhad	Malaysia	Management of unit trust funds	- Note 44(h)	70.00
*	DMG & Partners Securities Pte Ltd	Singapore	Provision of stock and share broking services and corporate finance advisory services	- Note 44(h)	51.00
*	PT OSK Nusadana Securities Indonesia	Indonesia	Provision of stock and share broking services	- Note 44(h)	51.00
*	OSK Securities (Thailand) Public Company Limited	Thailand	Provision of stock and share broking services	- Note 44(h)	97.34
(d)	**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	- Note 44(h)	100.00

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

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest As at 31.12.12 %	Proportion of Ownership Interest As at 31.12.11 %
(e)	**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	- Note 44(h)	100.00
*	OSK Finance Hong Kong Limited	Hong Kong	Money lending	- Note 44(h)	100.00
*	OSK Futures Hong Kong Limited	Hong Kong	Dealing in futures contracts	- Note 44(h)	100.00
*	OSK Securities Hong Kong Limited	Hong Kong	Securities dealing and provision of securities margin financing	- Note 44(h)	100.00
*	OSK Precious Metals Hong Kong Limited	Hong Kong	Trading of precious metals	- Note 44(h)	100.00
*	OSK International Investments Hong Kong Limited	Hong Kong	Dealing in securities, advising on securities and provision of asset management services	- Note 44(h)	100.00
+*	OSK (China) Investment Advisory Company Ltd	People's Republic of China	Provision of investment and business advisory and related services	- Note 44(h)	100.00
*	OSK Wealth Management Hong Kong Limited	Hong Kong	Negotiating or arranging contracts of insurance	- Note 44(h)	100.00
(f)	**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	- Note 44(h)	100.00
(g)	**Subsidiary companies of OSK-UOB Investment Management Berhad and the interests held by the said subsidiary:**				
*	OSK-UOB Islamic Fund Management Berhad	Malaysia	Offer Islamic fund services	- Note 44(h)	70.00

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

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest As at 31.12.12 %	As at 31.12.11 %
(h)	**Subsidiary companies of DMG & Partners Securities Pte. Ltd. and the interests held by the said subsidiary:**				
*	DMG & Partners Nominees Pte. Ltd.	Singapore	Nominee services	- Note 44(h)	100.00
*	Summit Nominees Pte. Ltd.	Singapore	Nominee services	- Note 44(h)	100.00
*	DMG & Partners Research Pte. Ltd.	Singapore	Financial advisory services	- Note 44(h)	100.00
(i)	**Subsidiary company of PT OSK Nusadana Securities Indonesia and the interests held by the said subsidiary:**				
*	PT OSK Nusadana Asset Management	Indonesia	Investment manager	- Note 44(h)	99.62
(j)	**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	- Note 44(h)	100.00
(k)	**Subsidiary companies of the Group:**				
*	OSK Trustees Berhad	Malaysia	Professional wills and trustee services	- Note 44(h)	100.00
	The shareholdings in OSK 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
	* Malaysian Trustees Berhad	Malaysia	Professional wills and trustee services	- Note 44(h)	100.00
	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

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

	Name of companies	Country of Incorporation	Principal Activities	Proportion of Ownership Interest As at 31.12.12 %	Proportion of Ownership Interest As at 31.12.11 %
(l)	**Associated companies of OSKIB and of the Group:**				
*	iFast-OSK Sdn. Bhd.	Malaysia	Investment holding	- Note 44(h)	38.05
	UOB-OSK Asset Management Sdn. Bhd.	Malaysia	Provision of investment management and related services	- Note 44(h)	30.00
*	Finexasia.com Sdn. Bhd.	Malaysia	Development and provision of internet financial solutions and related activities	- Note 44(h)	40.05
(m)	**Jointly controlled entity of OSKIAML:**				
*	OSK GC-Millennium Capital Pte. Ltd.	Singapore	Management of business operation and administration of the approved funds	- Note 44(h)	40.00

* Audited by firms of Chartered Accountants other than Messrs. Ernst & Young for current financial year ended 31 December 2012.

\# Audited by member firms of Chartered Accountants of Messrs. Ernst & Young Global.

\+ This subsidiary company has not commenced operation up to the date of disposal.

44. SIGNIFICANT EVENTS AND CHANGES IN COMPOSITION OF THE GROUP

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

On 24 February 2012, OSKIIhk, a wholly-owned subsidiary of OSK Holdings Hong Kong Limited, which in turn was 93.50%-owned by OSKIB, which in turn was a wholly-owned subsidiary of the Company, had subscribed for 51 Management Shares equivalent to 51% equity interest, amounted to US$51 (approximately RM154 equivalent) in a fund company, OSK Fideus, out of the total issued and paid-up capital of US$100 divided into 100 Management Shares, thus making OSK Fideus an indirect subsidiary of the Company on 24 February 2012. The remaining 49% was being held by Alpheus Advisor ("Alpheus").

OSK Fideus was incorporated on 25 November 2011 as an exempted company with limited liability in the Cayman Islands and registered under the Companies Law (2011) of Cayman Islands, with a business strategy of investing in Asia and emerging market equities. The authorised capital of OSK Fideus was 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.

Alpheus, a company incorporated in 2002 under the laws of Greece, was an affiliate of the Alpheus Group Ltd. (registered in Bermuda) ("Alpheus Group"), which was engaged in the securities investment management services and the provision of family office services. Alpheus Group operated family offices in Athens, London and Zurich with significant allocation to fund strategies. Alpheus Group was 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 was also focused on Asian and emerging markets.

(b) Increase 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:

- 29 February 2012, from RM22.0 million to RM23.0 million by issuance of 1 million ordinary shares of RM1.00 each.
- 21 September 2012, from RM23.0 million to RM23.7 million by issuance of 700,000 ordinary shares of RM1.00 each.

OSKIB only subscribed for 700,000 ordinary shares in iFast-OSK Sdn. Bhd. on 21 September 2012 and did not partake the issue on 29 February 2012. Consequently, OSKIB's equity interest in iFast-OSK Sdn. Bhd. was increased from 38.05% to 38.27%.

(c) Acquisition of additional shares in OSK Securities (Thailand) Public Company Limited ("OSKST") by OSKIB

Between 1 January 2012 and 21 May 2012, OSKIB acquired additional 580,600 ordinary shares in OSKST from the open market for a total consideration of THB1,433,618 (approximately RM141,942), thereby increasing its equity interest in OSKST from 97.34% to 97.41%.

(d) Subscription of shares in OSKIBL by OSKIB

On 26 June 2012, OSKIBL, a wholly-owned Cambodian banking subsidiary of OSKIB, received approval from National Bank of Cambodia to increase its paid-up capital by USD12 million (equivalent to RM38.319 million). Subsequent to the approval, OSKIBL increased its issued and paid-up capital from USD40 million to USD52 million through the issuance of 12 million new ordinary shares of USD1.00 each which was fully subscribed by OSKIB on 28 June 2012. The equity interest held by OSKIB in OSKIBL remained at 100%.

(e) Subscription of SGD1,000,000 ordinary shares in OSK International Investments Pte Ltd ("OSKIIL") by OSKIB

On 16 July 2012, OSKIB subscribed for SGD1,000,000 new ordinary shares in OSKIIL. The issued and paid-up share capital of OSKIIL was increased from SGD4,000,000 to SGD5,000,000. The rational for the increase was to facilitate the subscription of additional shares in OSK International Asset Management Pte Ltd as disclosed in Note 44(f).

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44. SIGNIFICANT EVENTS AND CHANGES IN COMPOSITION OF THE GROUP (CONT'D)

(f) Subscription of SGD1,250,000 ordinary shares in OSK International Asset Management Pte. Ltd. ("OSKIAML") by OSKIIL

On 16 July 2012, OSKIIL subscribed for SGD1,250,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid-up share capital of OSKIIL was increased from SGD3,850,000 to SGD5,100,000.

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

(g) Subscription of USD1,500,000 ordinary shares in OSK Indochina Securities Limited ("OSKISL") by OSKIBL

On 25 October 2012, OSKIBL subscribed for USD1,500,000 new ordinary shares in OSKISL for additional working capital purpose. The issued and paid-up share capital of OSKISL was increased from USD10,000,000 to USD11,500,000.

OSKIBL is a wholly-owned Cambodian banking subsidiary of OSKIB.

(h) Disposal of equity interests of 100% in OSKIB, 20% in OSKT, 20% in MTB and 100% in OSKL

As disclosed in Note 38, on 9 November 2012, the Company completed the disposal of subsidiary companies for a total disposal consideration of RM2,094.5 million satisfied through the issuance of 245.0 million new ordinary shares of RM1.00 each in RHBC and cash of RM222.7 million.

The effects of the disposal of subsidiary companies is disclosed in Note 38.

45. SUBSEQUENT EVENTS

There is no significant events announced after the date of statements of financial position until the reporting date.

46. MATERIAL LITIGATIONS

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.

47. FINANCIAL INSTRUMENTS

(a) Credit risks

The Group and the Company have no significant concentration of credit risk from exposure to a single receivable or to groups of receivables. The maximum credit risk associated with recognised financial assets is the carrying amount shown in the statements of financial position.

(b) Operational risks

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 operational activities.

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

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

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

(c) Currency risks

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:

		As at 31.12.12		As at 31.12.11	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets					
Securities held-to-maturity					
- Cagamas bonds	7(b)	-	-	5,014	5,026
- Malaysian Government Investment Issue	7(b)	-	-	140,145	141,759
- Negotiable instruments of deposit	7(b)	-	-	70,000	70,004
- Private and Islamic debt securities	7(b)	-	-	424,737	498,999
Financial liabilities					
Subordinated notes	26	-	-	400,000	424,305

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47. 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 were valued using models that use both observable and un-observable data. The non-observable inputs to the models included 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 was 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 approximated 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 47(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.

47. 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 **As at 31.12.12**	**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	**26,031**	**-**	**-**	**26,031**

Company **As at 31.12.12**				
Financial assets				
Securities held-for-trading:				
- Quoted shares and exchange traded funds	**25,917**	**-**	**-**	**25,917**

Group **As at 31.12.11**				
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
	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 securities	-	1,895,536	-	1,895,536
	30,099	**3,200,691**	**-**	**3,230,790**

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47. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

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

Group As at 31.12.11	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets (Cont'd)				
Derivative financial assets:				
- Equity related contracts	-	131	-	131
- Interest rate swaps	-	7,946	-	7,946
- Foreign currency, forward and swap contracts	-	324	-	324
	-	**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
	66,392	**42,475**	**-**	**108,867**

Company As at 31.12.11				
Financial assets				
Securities held-for-trading:				
- Quoted shares and exchange traded funds	**25,329**	**-**	**-**	**25,329**

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

At the previous reporting date, derivative products valued using valuation techniques with significant market observable inputs were 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 included 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 incorporated 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.

47. FINANCIAL INSTRUMENTS (CONT'D)

(d) Fair values (Cont'd)

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

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 (2011 : 75) basis points higher for the Group, with all other variables held constant, the Group's profit net of tax would have been approximately RM197,000 (2011: RM1,101,000) higher/lower, arising mainly as a result of higher/lower interest income from loans, advances and financing and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

47. FINANCIAL INSTRUMENTS (CONT'D)

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

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

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 31.12.12	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	22	-	-	-	-	753	-	775	2.95
Securities held-for-trading	-	-	-	-	-	-	26,031	26,031	-
Securities available-for-sale	-	-	-	-	-	165	-	165	-
Loans, advances and financing									
- Non-impaired	33,991	86,009	118,016	62,025	-	-	-	300,041	8.50
- Impaired	-	-	-	-	-	13,322	-	13,322	-
Trade receivables	-	-	-	-	-	673	-	673	-
Other assets	-	-	-	-	-	9,498	-	9,498	-
Other non-interest sensitive assets	-	-	-	-	-	2,275,759	-	2,275,759	-
Total Assets	**34,013**	**86,009**	**118,016**	**62,025**	**-**	**2,300,170**	**26,031**	**2,626,264**	

47. FINANCIAL INSTRUMENTS (CONT'D)

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

	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 31.12.12 (Cont'd)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
LIABILITIES									
Borrowings	156,650	-	-	-	-	-	-	156,650	4.34
Other non-interest sensitive liabilities	-	-	-	-	-	24,497	-	24,497	-
Total Liabilities	**156,650**	**-**	**-**	**-**	**-**	**24,497**	**-**	**181,147**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	2,445,117	-	2,445,117	
Total Equity	**-**	**-**	**-**	**-**	**-**	**2,445,117**	**-**	**2,445,117**	
Total Liabilities and Equity	**156,650**	**-**	**-**	**-**	**-**	**2,469,614**	**-**	**2,626,264**	
On-balance sheet interest sensitivity gap	(122,637)	86,009	118,016	62,025	-	(169,444)	26,031	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	**(122,637)**	**86,009**	**118,016**	**62,025**	**-**	**(169,444)**	**26,031**	**-**	
Cumulative interest rate sensitivity gap	(122,637)	(36,628)	81,388	143,413	143,413	(26,031)	-	-	

47. FINANCIAL INSTRUMENTS (CONT'D)

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

Group	Non-trading book								
As at 31.12.11	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	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS									
Cash and short term funds	945,547	6,354	7,172	-	-	428,080	-	1,387,153	3.16
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	457,889	111,556	692,807	284,514	103,557	-	-	1,650,323	8.37
- Impaired	-	-	-	-	-	5,035	-	5,035	-
Statutory deposits with Central Banks	-	-	-	-	33,724	179,610	-	213,334	0.07
Trade receivables	33,512	-	-	-	-	1,430,628	-	1,464,140	2.11
Other assets	-	100	100	-	-	121,262	-	121,462	3.36
Other non-interest sensitive assets	-	-	-	-	-	623,629	-	623,629	-
Total Assets	**1,605,144**	**576,325**	**999,360**	**1,791,616**	**1,569,678**	**2,852,040**	**313,340**	**9,707,503**	

47. FINANCIAL INSTRUMENTS (CONT'D)

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

Group As at 31.12.11 (Cont'd)	Non-trading book 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	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES									
Deposits from customers	2,854,656	685,679	1,109,726	47,832	-	42,022	-	4,739,915	3.46
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	147,253	17,980	125,850	-	-	-	-	291,083	0.07
Derivative financial liabilities	-	-	-	-	-	108,867	-	108,867	-
Trade payables	-	-	-	-	-	1,287,089	-	1,287,089	-
Borrowings	238,996	-	121	-	-	-	-	239,117	3.90
Subordinated notes	-	-	-	-	400,000	-	-	400,000	6.86
Other non-interest sensitive liabilities	-	-	-	-	-	221,109	-	221,109	-
Total Liabilities	**3,512,673**	**1,036,846**	**1,289,491**	**47,832**	**400,000**	**1,659,087**	**-**	**7,945,929**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	1,460,386	-	1,460,386	
Non-controlling interests	-	-	-	-	-	301,188	-	301,188	
Total Equity	**-**	**-**	**-**	**-**	**-**	**1,761,574**	**-**	**1,761,574**	
Total Liabilities and Equity	**3,512,673**	**1,036,846**	**1,289,491**	**47,832**	**400,000**	**3,420,661**	**-**	**9,707,503**	
On-balance sheet interest sensitivity gap	(1,951,088)	(460,521)	(290,131)	1,743,784	1,169,678	(525,062)	313,340	-	
Off-balance sheet interest sensitivity gap	-	-	585,000	525,000	-	-	-	1,110,000	
Total Interest Sensitivity Gap	**(1,951,088)**	**(460,521)**	**294,869**	**2,268,784**	**1,169,678**	**(525,062)**	**313,340**	**1,110,000**	
Cumulative interest rate sensitivity gap	(1,951,088)	(2,411,609)	(2,116,740)	152,044	1,321,722	796,660	1,110,000	1,110,000	

47. 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 1.1.11	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short term funds	383,732	28,241	2,971	-	-	284,151	-	699,095	2.47
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	551,649	129,554	338,243	282,770	46,355	-	-	1,348,571	8.76
- Impaired	-	-	-	-	-	11,986	-	11,986	-
Statutory deposits with Central Banks	-	-	-	-	24,468	45,210	-	69,678	0.15
Trade receivables	31,374	-	-	-	-	1,965,949	-	1,997,323	1.88
Other assets	-	-	100	-	-	96,136	-	96,236	3.15
Other non-interest sensitive assets	-	-	-	-	-	570,886	-	570,886	-
Total Assets	**1,401,709**	**462,691**	**837,799**	**2,039,274**	**566,726**	**3,145,652**	**648,996**	**9,102,847**	

47. 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 1.1.11 (Cont'd)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES									
Deposits from customers	2,202,316	1,034,555	616,665	21,995	-	8,857	-	3,884,388	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	-	-	-	-	-	1,746,928	-	1,746,928	-
Borrowings	333,792	4,435	72,392	-	-	-	-	410,619	4.17
Subordinated notes	-	-	-	-	300,000	-	-	300,000	7.41
Other non-interest sensitive liabilities	-	-	-	-	-	237,932	-	237,932	-
Total Liabilities	**2,840,465**	**1,184,183**	**909,193**	**21,995**	**300,000**	**2,143,549**	**-**	**7,399,385**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	1,458,721	-	1,458,721	
Non-controlling interests	-	-	-	-	-	244,741	-	244,741	
Total Equity	**-**	**-**	**-**	**-**	**-**	**1,703,462**	**-**	**1,703,462**	
Total Liabilities and Equity	**2,840,465**	**1,184,183**	**909,193**	**21,995**	**300,000**	**3,847,011**	**-**	**9,102,847**	
On-balance sheet interest sensitivity gap	(1,951,088)	(460,521)	(290,131)	1,743,784	1,169,678	(525,062)	313,340	-	
Off-balance sheet interest sensitivity gap	-	-	505,145	289,940	53,961	-	-	849,046	
Total Interest Sensitivity Gap	**(1,951,088)**	**(460,521)**	**215,014**	**2,033,724**	**1,223,639**	**(525,062)**	**313,340**	**849,046**	
Cumulative interest rate sensitivity gap	(1,951,088)	(2,411,609)	(2,196,595)	(162,871)	1,060,768	535,706	849,046	849,046	

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47. 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 31.12.12	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS									
Cash and short term funds	22	-	-	-	-	17	-	39	2.95
Securities held-for-trading	-	-	-	-	-	-	25,917	25,917	-
Other assets	174,670	-	-	-	-	151	-	174,821	4.47
Other non-interest sensitive assets	-	-	-	-	-	2,194,123	-	2,194,123	-
Total Assets	**174,692**	**-**	**-**	**-**	**-**	**2,194,291**	**25,917**	**2,394,900**	
LIABILITIES									
Other liabilities	56,102	-	-	-	-	21,223	-	77,325	4.37
Total Liabilities	**56,102**	**-**	**-**	**-**	**-**	**21,223**	**-**	**77,325**	
EQUITY									
Equity attributable to owners of the Company	-	-	-	-	-	2,317,575	-	2,317,575	
Total Equity	**-**	**-**	**-**	**-**	**-**	**2,317,575**	**-**	**2,317,575**	
Total Liabilities and Equity	**56,102**	**-**	**-**	**-**	**-**	**2,338,798**	-	**2,394,900**	
On-balance sheet interest sensitivity gap	118,590	-	-	-	-	(144,507)	25,917	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	**118,590**	**-**	**-**	**-**	**-**	**(144,507)**	**25,917**	**-**	

47. 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 31.12.11	**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	-	-	-	-	-	1,945	-	1,945	-
Other non-interest sensitive assets	-	-	-	-	-	1,025,615	-	1,025,615	-
Total Assets	**21**	**-**	**-**	**-**	**-**	**1,030,085**	**25,329**	**1,055,435**	
LIABILITIES									
Other liabilities	89,943	-	-	-	-	11,348	-	101,291	4.33
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**	**-**	

47. 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 1.1.11	**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	-
Other assets	13,514	-	-	-	-	5,086	-	18,600	4.05
Other non-interest sensitive assets	-	-	-	-	-	1,016,047	-	1,016,047	-
Total Assets	**17,671**	**-**	**-**	**-**	**-**	**1,021,282**	**23,844**	**1,062,797**	
LIABILITIES									
Borrowings	-	4,434	-	-	-	-	-	4,434	4.75
Other liabilities	52,250	-	-	-	-	13,173	-	65,423	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**	**-**	

47. 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. Prior to the disposal of OSKIB on 9 November 2012, foreign exchange risk was 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 As at 31.12.12	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
ASSETS			
Cash and short term funds	775	-	775
Securities held-for-trading	13,551	12,480	26,031
Securities available-for-sale	165	-	165
Loans, advances and financing	313,363	-	313,363
Tax recoverable	9,827	-	9,827
Trade receivables	673	-	673
Other assets	9,498	-	9,498
Deferred tax assets	2,379	-	2,379
Investments in an associated company	1,905,100	-	1,905,100
Investment properties	349,650	-	349,650
Property and equipment	8,672	-	8,672
Intangible assets	131	-	131
Total Assets	**2,613,784**	**12,480**	**2,626,264**
LIABILITIES			
Other liabilities	24,188	-	24,188
Tax payable	277	-	277
Deferred tax liabilities	32	-	32
Borrowings	156,650	-	156,650
Total Liabilities	**181,147**	**-**	**181,147**
On-balance sheet open position	2,432,637	12,480	2,445,117
Off-balance sheet open position	-	-	-
Net open position	**2,432,637**	**12,480**	**2,445,117**

47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 31.12.11	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
ASSETS								
Cash and short term funds	712,390	143,250	51,213	160,068	130,740	173,103	16,389	1,387,153
Deposits and placements with a bank	50,000	-	-	-	-	-	-	50,000
Securities held-for-trading	246,004	7,503	1,174	26,867	22,717	9,075	-	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	1,189,446	150,191	38,585	226,533	27,841	22,762	-	1,655,358
Tax recoverable	9,436	-	-	-	1,369	-	-	10,805
Trade receivables	744,987	452,157	26,296	111,771	119,608	5,953	3,368	1,464,140
Other assets	81,967	17,355	5,601	5,261	6,883	4,222	173	121,462
Statutory deposits with Central Banks	179,610	-	-	33,724	-	-	-	213,334
Deferred tax assets	7,354	-	-	-	1,285	-	-	8,639
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	**6,437,323**	**909,217**	**129,630**	**1,534,957**	**362,976**	**218,514**	**114,886**	**9,707,503**

47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 31.12.11 (Cont'd)	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	4,544,260	1,278	-	177,645	-	-	16,732	4,739,915
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	649,701	514,708	11,929	1,259	105,345	3,093	1,054	1,287,089
Other liabilities	166,964	18,456	4,580	3,551	9,721	2,548	1	205,821
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	**6,912,348**	**548,525**	**37,428**	**300,685**	**116,511**	**5,703**	**24,729**	**7,945,929**
On-balance sheet open position	(475,025)	360,692	92,202	1,234,272	246,465	212,811	90,157	1,761,574
Off-balance sheet open position	47,335	(6,472)	312	(41,548)	-	-	373	-
Net open position	**(427,690)**	**354,220**	**92,514**	**1,192,724**	**246,465**	**212,811**	**90,530**	**1,761,574**

47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 1.1.11	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	384,252	152,969	41,015	75,929	40,145	4,785	699,095
Securities purchased under resale agreements	59,886	-	-	-	51,600	-	111,486
Securities held-for-trading	270,720	112,993	8,425	249,772	7,086	-	648,996
Securities held-to-maturity	649,566	-	-	12,861	-	-	662,427
Securities available-for-sale	2,273,856	3,181	-	503,070	15,759	-	2,795,866
Derivative financial assets	28,710	16,869	1,592	43,126	-	-	90,297
Loans, advances and financing	1,077,320	121,180	60,221	51,917	49,919	-	1,360,557
Tax recoverable	6,247	-	-	-	683	-	6,930
Trade receivables	726,187	857,626	91,849	86,816	230,935	3,910	1,997,323
Other assets	64,962	11,726	7,965	4,347	7,217	19	96,236
Statutory deposits with Central Banks	45,210	-	-	24,468	-	-	69,678
Deferred tax assets	176	-	-	-	305	-	481
Investments in associated companies and a jointly controlled entity	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	**6,118,847**	**1,279,414**	**216,901**	**1,052,306**	**409,739**	**25,640**	**9,102,847**

47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Group As at 1.1.11 (Cont'd)	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	3,738,758	827	61	135,820	-	8,922	3,884,388
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	625,263	866,544	68,000	7,955	178,932	234	1,746,928
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	4,388	149	94	-	-	-	4,631
Borrowings	234,434	23,888	43,973	59,820	48,504	-	410,619
Subordinated notes	300,000	-	-	-	-	-	300,000
Total Liabilities	**5,897,660**	**922,192**	**120,967**	**208,850**	**239,961**	**9,755**	**7,399,385**
On-balance sheet open position	221,187	357,222	95,934	843,456	169,778	15,885	1,703,462
Off-balance sheet open position	357,681	(126,130)	156	(199,328)	345	(32,724)	-
Net open position	**578,868**	**231,092**	**96,090**	**644,128**	**170,123**	**(16,839)**	**1,703,462**

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47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Company As at 31.12.12	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Total RM'000**
ASSETS			
Cash and short term funds	39	-	39
Securities held-for-trading	13,437	12,480	25,917
Tax recoverable	3,908	-	3,908
Other assets	174,821	-	174,821
Investments in subsidiary companies	318,284	-	318,284
Investments in an associated company	1,871,800	-	1,871,800
Equipment	4	-	4
Intangible assets	127	-	127
Total Assets	**2,382,420**	**12,480**	**2,394,900**
LIABILITIES			
Other liabilities	77,325	-	77,325
Total Liabilities	**77,325**	**-**	**77,325**
On-balance sheet open position	2,305,095	12,480	2,317,575
Off-balance sheet open position	-	-	-
Net open position	**2,305,095**	**12,480**	**2,317,575**

47. FINANCIAL INSTRUMENTS (CONT'D)

(f) Foreign exchange risk (Cont'd)

Company As at 31.12.11	Ringgit Malaysia RM'000	United States Dollar RM'000	Total RM'000
ASSETS			
Cash and short term funds	2,546	-	2,546
Securities held-for-trading	12,969	12,360	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	**1,043,075**	**12,360**	**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	941,780	12,360	954,140
Off-balance sheet open position	-	-	-
Net open position	**941,780**	**12,360**	**954,140**

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

(f) Foreign exchange risk (Cont'd)

Company As at 1.1.11	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**

47. 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	
	2012 RM'000	2011 RM'000
United States Dollar strengthened by 10% against Ringgit Malaysia		
- Impact to profit after tax	1,248	97,586
- Impact to equity	-	12,263
United States Dollar weakened by 10% against Ringgit Malaysia		
- Impact to profit after tax	(1,248)	(97,586)
- Impact to equity	-	(12,263)

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	
	2012 RM'000	2011 RM'000
Singapore Dollar strengthened by 5% against Ringgit Malaysia		
- Impact to profit after tax	-	8,563
- Impact to equity including non-controlling interests	-	17,662
Singapore Dollar weakened by 5% against Ringgit Malaysia		
- Impact to profit after tax	-	(8,563)
- Impact to equity including non-controlling interests	-	(17,662)

47. 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 for previous financial year, the maturity profile for loans and deposits that do not have maturity dates and fixed deposits that are frequently rolled-over, is estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

Group As at 31.12.12	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	775	-	-	-	-	-	775
Securities held-for-trading	-	-	-	-	-	26,031	26,031
Securities available-for-sale	-	-	-	-	-	165	165
Loans, advances and financing	45,142	86,009	118,016	64,196	-	-	313,363
Other assets	19,998	-	-	-	-	2,265,932	2,285,930
TOTAL ASSETS	**65,915**	**86,009**	**118,016**	**64,196**	**-**	**2,292,128**	**2,626,264**
LIABILITIES							
Borrowings	156,650	-	-	-	-	-	156,650
Other liabilities	24,465	-	-	-	-	32	24,497
TOTAL LIABILITIES	**181,115**	**-**	**-**	**-**	**-**	**32**	**181,147**
NET LIQUIDITY GAP	**(115,200)**	**86,009**	**118,016**	**64,196**	**-**	**2,292,096**	**2,445,117**

47. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Group As at 31.12.11	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	1,373,627	6,354	7,172	-	-	-	1,387,153
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	462,924	111,556	692,807	284,514	103,557	-	1,655,358
Others assets	1,809,541	100	100	-	-	612,824	2,422,565
TOTAL ASSETS	**3,814,612**	**577,428**	**1,005,338**	**1,832,842**	**1,601,119**	**876,164**	**9,707,503**
LIABILITIES							
Deposits from customers	2,896,678	685,679	1,109,726	47,832	-	-	4,739,915
Deposits and placements of banks and other financial institutions	271,768	333,187	53,794	-	-	-	658,749
Obligations on securities sold under repurchase agreements	147,253	17,980	125,850	-	-	-	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	1,492,910	-	11,182	-	-	4,106	1,508,198
TOTAL LIABILITIES	**5,059,966**	**1,092,682**	**1,333,147**	**55,914**	**400,114**	**4,106**	**7,945,929**
NET LIQUIDITY GAP	**(1,245,354)**	**(515,254)**	**(327,809)**	**1,776,928**	**1,201,005**	**872,058**	**1,761,574**

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47. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Group As at 1.1.11	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	667,883	28,241	2,971	-	-	-	699,095
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	563,635	129,554	338,243	282,770	46,355	-	1,360,557
Others assets	2,170,067	-	100	-	-	563,956	2,734,123
TOTAL ASSETS	**3,876,221**	**524,744**	**877,961**	**2,164,336**	**766,259**	**893,326**	**9,102,847**
LIABILITIES							
Deposits from customers	2,211,173	1,034,555	616,665	21,995	-	-	3,884,388
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	1,956,351	-	23,878	-	-	4,631	1,984,860
TOTAL LIABILITIES	**4,814,053**	**1,214,208**	**1,044,498**	**21,995**	**300,000**	**4,631**	**7,399,385**
NET LIQUIDITY GAP	**(937,832)**	**(689,464)**	**(166,537)**	**2,142,341**	**466,259**	**888,695**	**1,703,462**

47. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Company As at 31.12.12	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	39	-	-	-	-	-	39
Securities held-for-trading	-	-	-	-	-	25,917	25,917
Other assets	178,729	-	-	-	-	2,190,215	2,368,944
TOTAL ASSETS	**178,768**	**-**	**-**	**-**	**-**	**2,216,132**	**2,394,900**
LIABILITIES							
Other liabilities	77,325	-	-	-	-	-	77,325
TOTAL LIABILITIES	**77,325**	**-**	**-**	**-**	**-**	**-**	**77,325**
NET LIQUIDITY GAP	**101,443**	**-**	**-**	**-**	**-**	**2,216,132**	**2,317,575**

Company As at 31.12.11	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**

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47. FINANCIAL INSTRUMENTS (CONT'D)

(g) Liquidity risk (Cont'd)

Company As at 1.1.11	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**

47. 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% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM508,000 (2011: RM3,993,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in Malaysia listed on Bursa Malaysia. In the previous financial year, the Group's available-for-sale reserve would had been approximately RM253,000 higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Malaysia.

At 31 December 2011, if the Straits Times Index in Singapore had been 5% higher/lower, with all other variables held constant, the Groups' profit after tax would have been approximately RM290,000 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 higher/lower, arising as a result of an increase/decrease in the fair value of quoted securities available-for-sale in Singapore.

At 31 December 2011, if the Hang Seng Index in Hong Kong had been 5% higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM44,000 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% (2011: 5%) higher/lower, with all other variables held constant, the Groups' profit net of tax would have been approximately RM468,000 (2011: RM407,000) higher/lower, arising as a result of higher/lower fair value gains on quoted securities held-for-trading in the United States of America. In the previous financial year, the Group's available-for-sale reserve would had been approximately RM173,000 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.

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47. FINANCIAL INSTRUMENTS (CONT'D)

(i) Categories of financial instruments

(a) The securities held-for-trading, held-to-maturity and available-for-sale are as disclosed in the Statements of Financial Position.

(b) Total loans and receivables consist of:

				Group			Company
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Cash and short term funds	5	775	1,387,153	699,095	39	2,546	4,306
Deposits and placements with a bank	6	-	50,000	-	-	-	-
Loan, advances and financing	9	313,363	1,655,358	1,360,557	-	-	-
Trade receivables	10	673	1,464,140	1,997,323	-	-	-
Other assets	11	9,498	121,462	96,236	174,821	1,945	18,600
Statutory deposits with Central Banks	12	-	213,334	69,678	-	-	-
Total loans and receivables		**324,309**	**4,891,447**	**4,222,889**	**174,860**	**4,491**	**22,906**

(c) Financial liabilities at amortised cost consist of:

				Group			Company
	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
Deposits from customers	19	-	4,739,915	3,884,388	-	-	-
Deposits and placements of banks and other financial institutions	20	-	658,749	669,769	-	-	-
Obligations on securities sold under repurchase agreements	21	-	291,083	-	-	-	-
Trade payables	23	-	1,287,089	1,746,928	-	-	-
Other liabilities	24	24,188	205,821	209,423	77,325	101,291	65,423
Borrowings	25	156,650	239,117	410,619	-	-	4,434
Subordinated notes	26	-	400,000	300,000	-	-	-
Total financial liabilities carried at amortised cost		**180,838**	**7,821,774**	**7,221,127**	**77,325**	**101,291**	**69,857**

The significant decrease in total loans and receivables and financial liabilities at amortised cost were due to the disposal of subsidiary companies as disclosed in Note 38.

48. COMMITMENTS AND CONTINGENCIES

The risk-weighted exposures of the Group, which solely related to the disposal of subsidiary companies, are as follows:

	As at 31.12.11			As at 1.1.11		
	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 had adopted the Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk computation.

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

The Islamic banking operations of OSKIB is related to disposal of subsidiary companies, which made up to 9 November 2012, the completion date of the disposal, are shown below:

(a) STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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**

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

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

(b) INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	(m)	35,096	37,107
Transfer of profit equalisation reserve from investment account holder (2011: investment account holder and OSKIB)		-	(1,289)
Gross and total attributable income		35,096	35,818
Income attributable to depositors	(n)	(28,651)	(29,993)
Income attributable to OSKIB		6,445	5,825
Income derived from investment of Islamic banking funds		1,822	3,159
Net provision for profit equalisation reserve (depositors' portion)		(20)	-
Total net income		8,247	8,984
Other operating expenses	(o)	(1,969)	(1,675)
Profit before tax expense and zakat		6,278	7,309
Income tax expense and zakat	(p)	(1,617)	(1,831)
Profit after tax expense and zakat		**4,661**	**5,478**

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

	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others		35,096	37,107
Income attributable to depositors		(28,651)	(29,993)
Income derived from investment of Islamic banking funds		1,822	3,159
Transfer of profit equalisation reserve from investment account holder (2011: investment account holder and OSKIB)		-	(1,289)
Net provision for profit equalisation reserve (depositors' portion)		(20)	-
Net income from Islamic banking operations reported in Group-wide income statement	38(c)	**8,247**	**8,984**

The Group consolidates the results of OSKIB up to 9 November 2012 for the current financial year.

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

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

(c) STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RM'000	2011 RM'000
Profit after tax expense and zakat	4,661	5,478
Other comprehensive income (loss)/income		
Reversal of available-for-sale gain upon disposals	(659)	(954)
Unrealised net gain on revaluation of securities available-for-sale	207	1,485
Income tax relating to component of other comprehensive loss/(income)	113	(133)
Other comprehensive (loss)/income for the year, net of tax and zakat	(339)	398
Total comprehensive income for the year, net of tax and zakat	**4,322**	**5,876**
Total comprehensive income attributable to owner of the OSKIB	**4,322**	**5,876**

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

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

(d) STATEMENTS OF CHANGES IN ISLAMIC BANKING FUND FOR THE YEAR ENDED 31 DECEMBER 2012

		Non-distributable			
	Islamic banking fund RM'000	Profit equalisation reserve of Islamic banking operations RM'000	Available-for-sale reserve RM'000	Distributable retained profits RM'000	Total RM'000
As at 1 January 2012	100,000	-	661	13,137	113,798
Total comprehensive (loss)/income	-	-	(339)	4,661	4,322
Transfer from other liabilities due to the adoption of BNM's Revised Guidelines for Profit Equalisation Reserves ("PER")	-	-	-	272	272
Transfer to PER reserve	-	272	-	(272)	-
Total transactions with owner	-	272	-	-	272
Disposal of subsidiary companies	(100,000)	(272)	(322)	(17,798)	(118,392)
As at 31 December 2012	**-**	**-**	**-**	**-**	**-**
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
Total transactions with owner	50,000	-	-	-	50,000
As at 31 December 2011	**100,000**	**-**	**661**	**13,137**	**113,798**

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

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

(e) STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax		6,278	7,309
Adjustment for:			
Depreciation and amortisation		185	62
Operating profit before working capital changes		6,463	7,371
(Increase)/decrease in operating assets:			
Securities available-for-sale		(71,309)	(278,943)
Securities held-to-maturity		2,802	8,038
Other assets		(2,685)	1,109
Statutory deposit with Bank Negara Malaysia		(28,433)	-
Increase/(decrease) in operating liabilities:			
Deposits from customers		(60,151)	356,922
Deposits and placements of banks and other financial institutions		60,525	15,887
Profit equalisation reserve		20	1,289
Other liabilities		3,844	653
Cash (used in)/generated from operations		(88,924)	112,326
Zakat paid		(60)	(5)
Net cash (used in)/generated from operating activities		**(88,984)**	**112,321**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(12)	(4)
Purchase of intangible assets		(1,398)	(690)
Net cash used in investing activities		**(1,410)**	**(694)**
CASH FLOW FROM FINANCING ACTIVITY			
Injection of funds for Islamic banking, net cash generated from financing activity		**-**	**50,000**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(90,394)	161,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		395,163	233,536
DISPOSAL OF SUBSIDIARY COMPANIES		(304,769)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	(f)	**-**	**395,163**

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

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

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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**

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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:

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 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**
(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	-	194,627	102,275
1 - 5 years	-	219,237	-
	-	**1,185,523**	**828,601**

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

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

	Note	As at 31.12.12 RM'000	As at 31.12.11 RM'000	As at 1.1.11 RM'000
(k) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS				
Mudharabah Fund				
Licensed bank		**-**	**15,888**	**-**
(l) OTHER LIABILITIES				
Income payable		-	3,529	2,798
Profit equalisation reserve #	24	-	2,285	996
Other payable		-	17	96
		-	**5,831**	**3,890**
# Profit equalisation reserve				
At beginning of year		-	996	759
Provided		-	1,289	237
At end of year		**-**	**2,285**	**996**

	2012 RM'000	2011 RM'000
(m) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS		
Income from general investment deposits	**35,096**	**37,107**
Analysed as:		
Finance income and hibah		
Securities held-to-maturity	10,571	13,061
Securities available-for-sale	14,628	14,215
Deposit with financial institutions	5,293	6,830
(Amortisation of premium)/accretion of discount		
- Securities held-to-maturity	(591)	(498)
- Securities available-for-sale	5,195	3,499
	4,604	3,001
	35,096	**37,107**
(n) INCOME ATTRIBUTABLE TO DEPOSITORS		
Deposits from customers and financial institutions		
- Mudharabah Fund	**28,651**	**29,993**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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

	2012 RM'000	2011 RM'000
(o) OTHER OPERATING EXPENSES		
(i) Personnel costs		
Salaries, wages, allowances and bonus	933	882
Pension costs - defined contribution plan	135	123
Other staff related expenses	32	31
	1,100	**1,036**
(ii) Establishment costs		
Depreciation and amortisation	185	62
Rental	34	28
Insurance	15	10
Repairs and maintenance	37	3
Utility expenses	5	2
Others	-	3
	276	**108**
(iii) Marketing and trading expenses		
Advertisement and promotions	-	3
Fees and charges	255	45
Travelling expenses	19	16
Subscriptions	68	52
	342	**116**
(iv) Administration and general expenses		
Communication expenses	6	7
Printing and stationery	4	4
Administrative	241	404
	251	**415**
Total other operating expenses	**1,969**	**1,675**
Included in other operating expenses are:-		
Shariah committee members' fees and remuneration	**220**	**215**
(p) INCOME TAX EXPENSE AND ZAKAT		
Current year income tax expense	(1,502)	(1,826)
Zakat	(115)	(5)
	(1,617)	**(1,831)**

50. 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 2012 and 31 December 2011.

Prior to the disposal of subsidiary companies, the Group maintained a capital base to cover risks inherent in the business. The adequacy of the Group's capital was 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 12(b), OSK Indochina Bank Limited ("OSKIBL"), a Cambodia banking subsidiary of OSKIB was required by the National Bank of Cambodia to maintain a refundable statutory deposit of 10% of registered capital as capital guarantee, which was not available for use in OSKIBL's day-to-day operations. In addition, as disclosed in Note 51(a)(ii), OSKIBL was 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 year ended 31 December 2011.

				Group			**Company**
	Note	**As at 31.12.12**	**As at 31.12.11**	**As at 1.1.11**	**As at 31.12.12**	**As at 31.12.11**	**As at 1.1.11**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	25	156,650	239,117	410,619	-	-	4,434
Subordinated notes	26	-	400,000	300,000	-	-	-
Total debts		**156,650**	**639,117**	**710,619**	**-**	**-**	**4,434**
Equity attributable to the owners of the Company		2,445,117	1,460,386	1,458,721	2,317,575	954,140	992,254
Total capital		**2,445,117**	**1,460,386**	**1,458,721**	**2,317,575**	**954,140**	**992,254**
Capital and debt		**2,601,767**	**2,099,503**	**2,169,340**	**2,317,575**	**954,140**	**996,688**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

51. CAPITAL ADEQUACY OF OSKIB GROUP AND A LABUAN INVESTMENT BANKING SUBSIDIARY

The capital adequacy of OSKIB group and a Labuan Investment Banking subsidiary which are related to the disposal of subsidiary companies are shown below:-

The capital base and risk weighted assets ("RWA") for the previous reporting date, as set out below for OSKIB group 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 had included results of OSKIB and its subsidiary companies (as disclosed in Note 43) including securities or stock-broking firms, fund management companies, asset management companies and other similar business. The subsidiary companies were fully consolidated in OSKIB Group's financial statements.

For the purpose of consolidation for regulatory reporting, the OSKIB Group had 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 was 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") as at the previous reporting date 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		
	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
Before deducting proposed dividends:						
Core capital ratio	-	26.43%	28.89%	-	19.89%	25.34%
Risk weighted capital ratio	-	34.83%	36.12%	-	19.89%	25.34%
After deducting proposed dividends:						
Core capital ratio	-	26.43%	28.89%	-	19.89%	25.34%
Risk weighted capital ratio	-	34.83%	36.12%	-	19.89%	25.34%

^ 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 of OSKIB) 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 ensured that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in risk weighted capital ratio.

51. 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 as follows: (Cont'd)

	OSKIB Group			OSKIB		
	As at 31.12.12	As at 31.12.11	As at 1.1.11	As at 31.12.12	As at 31.12.11	As at 1.1.11
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Issued and fully paid share capital	-	660,000	660,000	-	660,000	660,000
Retained profits	-	172,376	164,228	-	74,396	62,503
Statutory reserves	-	239,537	228,992	-	239,387	228,992
Tier 1 non-controlling interests	-	304,125	245,759	-	-	-
	-	1,376,038	1,298,979	-	973,783	951,495
Less: Goodwill	-	(94,283)	(92,889)	-	(46,516)	(46,516)
Deferred tax assets	-	(11,957)	(481)	-	(10,330)	-
Tier I capital	**-**	**1,269,798**	**1,205,609**	**-**	**916,937**	**904,979**
Collective impairment	-	3,696	1,862	-	1,870	1,039
Maximum allowance subordinated debt capital	-	400,000	300,000	-	400,000	300,000
Tier II capital	**-**	**403,696**	**301,862**	**-**	**401,870**	**301,039**
Total capital	-	1,673,494	1,507,471	-	1,318,807	1,206,018
Less: Investments in subsidiary companies	-	-	-	-	(701,801)	(455,488)
Capital base	**-**	**1,673,494**	**1,507,471**	**-**	**617,006**	**750,530**

The capital adequacy ratios of OSKIB Group consists of capital base and RWA derived from consolidated balances of OSKIB and its subsidiary companies. The capital adequacy ratios of OSKIB consisted of capital base and RWA derived from OSKIB.

The capital adequacy ratios of OSKIB Group and OSKIB were computed in accordance with RWCAF-Basel II. OSKIB Group and OSKIB had 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% for the risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

51. 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"), at the previous reporting date were as follows:

	OSKIBL As at 31.12.11
Before deducting proposed dividends:	
Core capital ratio	#
Solvency ratio	46.49%
After deducting proposed dividends:	
Core capital ratio	#
Solvency ratio	46.49%

The Solvency Ratio of OSKIBL was 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 was derived using OSKIBL's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia was 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"), at the previous reporting date were as follows:

	OSKL As at 31.12.11
Before deducting proposed dividends:	
Core capital ratio	50.50%
Risk weighted capital ratio	50.50%
After deducting proposed dividends:	
Core capital ratio	50.50%
Risk weighted capital ratio	50.50%

The capital adequacy ratios of OSKL for capital compliance on a standalone basis were computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which was based on the Basel I capital accord. The minimum regulatory capital adequacy requirements were 4.0% and 8.0% for the Tier 1 capital ratio and risk-weighted capital ratio respectively.

52. CAPITAL ADEQUACY - ISLAMIC BANKING OPERATIONS OF OSKIB

The capital adequacy of the Islamic Banking Operations of OSKIB which is related to the disposal of subsidiary companies is shown below:-

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 at the previous reporting date are as follows:

	As at 31.12.12	As at 31.12.11	As at 1.1.11
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%
	RM'000	**RM'000**	**RM'000**
Islamic banking funds	-	100,000	50,000
Retained profits	-	13,137	7,659
	-	113,137	57,659

OSKIB was the only entity in the Group that had Islamic banking operations. The capital adequacy ratios of the Islamic banking operations of OSKIB consisted of capital base and risk weighted amounts derived from OSKIB.

The capital adequacy ratios of the Islamic banking operations of OSKIB was computed in accordance with RWCAF-Basel II. The Islamic banking operations of OSKIB had adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement was 8.0% for the risk weighted capital ratio.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

53. 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	
	As at 31.12.12 RM'000	**As at 31.12.11 RM'000**
Total retained profits of the Company and its subsidiary companies		
- Realised	1,381,391	214,042
- Unrealised	102,316	179,349
	1,483,707	393,391
Total share of retained profits from associated companies		
- Realised	39,878	11,432
- Unrealised	-	-
	1,523,585	404,823
Less : Consolidation adjustments	(127,634)	(94,805)
	1,395,951	**310,018**

	Company	
	As at 31.12.12 RM'000	**As at 31.12.11 RM'000**
Total retained profits of the Company		
- Realised	1,352,678	23,979
- Unrealised	(3,377)	(4,776)
	1,349,301	**19,203**

LIST OF PROPERTIES
31 DECEMBER 2012

PROPERTIES CLASSIFIED UNDER INVESTMENT PROPERTIES

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXI-MATE AREA	DATE OF REVALUATION	EXISTING USE	APPROXI-MATE AGE OF BUILDING	MARKET 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	27 December 2012	Offices	28 years	157,000
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	14 December 2012	Office	17 years	2,150
3	No. 21, 23 & 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	668.88 square metres	4 January 2013	Offices	18 years	8,000
4	No. 55, Zone J4, Jalan Radin Anum, 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	14 December 2012	Office	9 years	7,500
5	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	13 December 2012	Offices	26 years	3,900
6	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	20 December 2012	Office	33 years	4,500
7	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]	27 December 2012	Commercial use	-	149,000
8	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	1,004 square metres	26 December 2012	Office	9 years	4,400
9	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 square metres	14 December 2012	Office	8 years	700

LIST OF PROPERTIES
31 DECEMBER 2012

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF REVALUATION	EXISTING USE	APPROXIMATE AGE OF BUILDING	MARKET VALUE RM'000
10	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	18 December 2012	Office	6 years	2,600
11	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	17 December 2012	Office	5 years	2,000
12	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	17 December 2012	Office	5 years	2,000
13	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	14 December 2012	Office	4 years	2,000
14	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	14 December 2012	Office	4 years	1,600
15	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	26 December 2012	Office	7 years	2,300

PROPERTIES CLASSIFIED UNDER PROPERTY AND EQUIPMENT

	ADDRESS / LOCATION	DESCRIPTION	TENURE	APPROXIMATE AREA	DATE OF ACQUISITION	EXISTING USE	APPROXIMATE AGE OF BUILDING	NET BOOK VALUE RM'000
1	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
2	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	-	324
3	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 construction	54 years	1,468

STATEMENT OF DIRECTORS' INTERESTS
AS AT 20 FEBRUARY 2013

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	16,797,802	1.73	-	-
2. Tan Sri Ong Leong Huat @ Wong Joo Hwa	294,974,936	30.46	*17,641,988	1.82
3. Wong Chong Kim	2,466,824	0.25	**1,254,394	0.13

Notes:-

* Deemed interested by virtue of his substantial shareholding in Land Management Sdn. Bhd. and disclosure made pursuant to Section 134(12)(c) of the Companies Act, 1965 on interests held by his spouse and children.

** Deemed interested by virtue of his substantial shareholding in Harmony Chime Sdn. Bhd. and disclosure made pursuant to Section 134(12)(c) of the Companies Act, 1965 on interests held by his spouse and children.

STATEMENT OF SHAREHOLDINGS
AS AT 20 FEBRUARY 2013

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM968,422,919 (excluding the treasury shares of 635,153)
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	2,974	10.44	119,824	0.01
100 — 1,000	1,586	5.57	674,089	0.07
1,001 — 10,000	16,749	58.82	62,488,252	6.45
10,001 — 100,000	6,500	22.83	162,642,374	16.80
100,001 — 48,421,144*	663	2.33	455,723,444	47.06
48,421,145 and above**	2	0.01	286,774,936	29.61
	28,474	**100.00**	**968,422,919**	**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. Tan Sri Ong Leong Huat @ Wong Joo Hwa	294,974,936	30.46	*184,429	0.02

Remarks:

* Deemed interested by virtue of his substantial shareholding in Land Management Sdn. Bhd.

STATEMENT OF SHAREHOLDINGS
AS AT 20 FEBRUARY 2013

THIRTY LARGEST REGISTERED HOLDERS

	Name and Address	No. of Shares	%
1.	Tan Sri Ong Leong Huat @ Wong Joo Hwa	184,274,936	19.03
2.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Sri Ong Leong Huat @ Wong Joo Hwa	102,500,000	10.58
3.	P J Equity Sdn. Bhd.	20,927,439	2.16
4.	Dato' Nik Mohamed Din bin Datuk Nik Yusoff	16,797,802	1.73
5.	Wong Chong Ngin	12,516,000	1.29
6.	OSK Nominees (Asing) Sdn Berhad Pledged Securities Account for Lee Sui Hee	10,912,500	1.13
7.	Puan Sri Khor Chai Moi	9,331,592	0.96
8.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (NORGES BK)	8,595,100	0.89
9.	Pengerang Jaya Pte Ltd	8,591,356	0.89
10.	HSBC Nominees (Tempatan) Sdn. Bhd. AA Noms SG for Tan Sri Ong Leong Huat @ Wong Joo Hwa	8,200,000	0.85
11.	Citigroup Nominees (Tempatan) Sdn Bhd Allianz Life Insurance Malaysia Berhad (P)	7,880,500	0.81
12.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Saudi Arabian Monetary Agency	7,825,100	0.81
13.	Amanahraya Trustees Berhad Public Smallcap Fund	7,679,800	0.79
14.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	7,069,370	0.73
15.	Nora Ee Siong Chee	6,790,625	0.70
16.	Tan Swee Kwong	6,770,825	0.70
17.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YM Ltd	6,308,944	0.65
18.	Chin Cheng Mei	6,305,800	0.65
19.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JY Ltd	6,299,632	0.65
20.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YS Ltd	6,236,492	0.64
21.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for JX Ltd	6,063,413	0.63
22.	HSBC Nominees (Asing) Sdn. Bhd. AA Noms SG for YC Ltd	6,046,078	0.62
23.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels For Wisdomtree Emerging Markets Smallcap Dividend Fund	5,111,156	0.53
24.	Koperasi Permodalan Felda Malaysia Berhad	5,000,100	0.52
25.	Dato' Nik Mohamed Bin Nik Yahya	4,946,663	0.51
26.	CIMB Commerce Trustee Berhad Public Focus Select Fund	4,708,300	0.49
27.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-ASING)	4,652,937	0.48
28.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	4,601,689	0.48
29.	Tan Eng Heng	4,000,000	0.41
30.	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for the Bank of New York Mellon (Mellon Acct)	3,994,496	0.41

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-Third Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 10 April 2013 at 2.30 p.m. and at any adjournment thereof.

*My/our proxy is to vote as indicated below :

Item	Agenda			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of Directors and Auditors thereon.			
		Resolution	**FOR**	**AGAINST**
2.	To sanction the declaration of a final dividend of 2.5 sen per share less income tax of 25% in respect of the financial year ended 31 December 2012.	1		
3.	To approve the payment of Directors' fees of RM187,500 for the financial year ended 31 December 2012.	2		
4.	(a) To re-elect Tan Sri Ong Leong Huat @ Wong Joo Hwa as Director pursuant to Article 102(1) of the Company's Articles of Association.	3		
	(b) To re-elect Dato' Abdul Majit Bin Ahmad Khan as Director pursuant to Article 102(1) of the Company's Articles of Association.	4		
5.	To re-appoint Dato' Nik Mohamed Din Bin Datuk Nik Yusoff who retires pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Company.	5		
6.	To appoint Messrs. PricewaterhouseCoopers as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	6		
Special Business				
7.	Authority to Issue Shares	7		
8.	Proposed Renewal of Shareholders' Mandate	8		
9.	Proposed Renewal of Share Buy-Back Authority	9		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day ________________ of ____________________ 2013

____
*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 2013 ("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. Provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. 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 at the office of the Share Registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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)

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50450 Kuala Lumpur, Malaysia.

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