

# AFFIN HOLDINGS

AFFIN HOLDINGS BERHAD  
(23218-W)

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## ANNUAL REPORT



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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **THIRTY-SECOND (32ND) ANNUAL GENERAL MEETING of AFFIN HOLDINGS BERHAD** will be held at 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur on Wednesday, 16 April 2008 at 10:00 a.m. to transact the following business:-

## AGENDA

1. To receive and if thought fit, adopt the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To declare a Final Dividend of 3 sen per share less 26% income tax. **Resolution 2**
3. To re-elect Y. Bhg. Tan Sri Dato' Lodin Bin Wok Kamaruddin who retires by rotation and being eligible, offers himself for re-election. **Resolution 3**
4. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-
  - 4.1 "That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Maj Gen (R) Dato' Mohamed Isa Bin Che Kak be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **Resolution 4**
  - 4.2 "That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Mustafa Bin Mohamad Ali be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **Resolution 5**
5. To approve Directors' Fees. **Resolution 6**
6. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
7. **SPECIAL BUSINESS**

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

### 7.1 Ordinary Resolution

#### **Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965**

**Resolution 8**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of 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 share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**7.2 Ordinary Resolution****Proposed Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")****Resolution 9**

"**THAT** authority be and is hereby given in line with Chapter 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 25 March 2008 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

**AND THAT** such authority shall commence immediately upon the passing of this Ordinary Resolution until:

- i. the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or
- ii. the expiration of the period within which the next annual general meeting after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act, 1965; or
- iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

**AND FURTHER THAT** the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

**7.3 Special Resolution****Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")****Resolution 10**

"**THAT** the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Circular to Shareholders dated 25 March 2008 be and are hereby approved.

**AND FURTHER THAT** the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Amendments with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Amendments in the best interest of the Company."



## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

8. To transact any other ordinary business of the Company.

By Order of the Board

**TAN LEH KIAH**  
**SUZANA BINTI AHMAD**  
**TAY CHEE WAH**  
Secretaries

Kuala Lumpur  
25 March 2008

### Note:

- a. A member entitled to attend and vote at the above meeting may appoint one or more proxies on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company, 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than 48 hours before the time appointed to hold the meeting.
- b. The proposed ordinary resolution 8, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.
- c. The proposed ordinary resolution 9, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## NAME OF DIRECTORS STANDING FOR RE-ELECTION OR RE-APPOINTMENT

The director who is retiring pursuant to the Articles of Association and seeking for re-election in the forthcoming AGM:

- i Y. Bhg. Tan Sri Dato' Lodin bin Wok Kamaruddin

The following directors who are over the age of seventy years and seeking re-appointment in the forthcoming AGM:

- i Y. Bhg. Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
- ii Y. Bhg. Dato' Mustafa bin Mohamad Ali

The profiles of the directors are set out on pages 10 to 12 of this Annual Report.

## DETAILS OF BOARD MEETINGS

Seven (7) Board Meetings were held during the financial year ended 31 December 2007. Details of the meetings are as follows:

Date of Meeting	Time	Venue
13 February 2007	10.00 am	7th Floor, Chulan Tower
6 April 2007	3.30 pm	7th Floor, Chulan Tower
14 May 2007	10.20 am	7th Floor, Chulan Tower
20 June 2007	8.45 am	7th Floor, Chulan Tower
31 July 2007	9.30 am	7th Floor, Chulan Tower
16 August 2007	3.00 pm	11th Floor, The Royale Bintang Damansara Hotel
13 November 2007	4.15 pm	7th Floor, Chulan Tower

## DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of Directors at the Board Meetings held during the financial year ended 31 December 2007 are as follows:

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	17 October 2005	7/7
Tan Sri Dato' Lodin bin Wok Kamaruddin	19 July 1986	7/7
Raja Dato' Seri Aman bin Raja Haji Ahmad	25 April 1991	5/7
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	25 April 1991	6/7
Datuk Azzat bin Kamaludin	25 April 1991	7/7
Dato' Mustafa bin Mohamad Ali	28 November 2002	7/7

# NOTICE OF DIVIDEND PAYMENT AND BOOK CLOSURE

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of shareholders at the Annual General Meeting to be held on Wednesday, 16 April 2008, a final dividend of 3 sen per share less 26% income tax for the financial year ended 31 December 2007, will be paid on 6 June 2008, to shareholders registered in the Register of Members at the close of business on 9 May 2008.

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

- a) Shares transferred to the Depositor's Securities Account before 4:00 p.m. on 9 May 2008 in respect of ordinary transfers.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**TAN LEH KIAH**  
**SUZANA BINTI AHMAD**  
**TAY CHEE WAH**  
Secretaries

Kuala Lumpur  
25 March 2008

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin (Chairman)  
Tan Sri Dato' Lodin bin Wok Kamaruddin (Managing Director)  
Raja Dato' Seri Aman bin Raja Haji Ahmad  
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak  
Datuk Azzat bin Kamaludin  
Dato' Mustafa bin Mohamad Ali

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## SECRETARIES

Tan Leh Kiah  
Suzana binti Ahmad  
Tay Chee Wah

## PRINCIPAL BANKERS

AFFIN Bank Berhad  
AFFIN Investment Bank Berhad  
Malayan Banking Berhad  
DBS Bank Ltd, Labuan Branch

## REGISTERED OFFICE

7th Floor, Chulan Tower  
3, Jalan Conlay  
50450 Kuala Lumpur  
Malaysia  
Telephone: (03) 2142 9569  
Fax: (03) 2143 1057

## STOCK EXCHANGE

Bursa Malaysia Securities Berhad  
Stock Code: 5185  
Stock Name: AFFIN

## AUDITORS

PricewaterhouseCoopers

## WEBSITE

<http://www.affin.com.my>

## REGISTRAR

**Boustead Management Services Sdn Bhd**  
13th Floor, Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur  
Telephone: (03) 2141 9044  
Fax: (03) 2144 3016



# BOARD OF DIRECTORS

GEN (R) TAN SRI DATO' SERI MOHD  
ZAHIDI BIN HJ ZAINUDDIN  
Chairman

TAN SRI DATO' LODIN  
BIN WOK KAMARUDDIN  
Managing Director



BOARD OF DIRECTORS (CONTINUED)

**MAJ GEN (R) DATO' MOHAMED  
ISA BIN CHE KAK**  
Independent Non-Executive  
Director

**DATO' MUSTAFA BIN  
MOHAMAD ALI**  
Independent Non-Executive  
Director

**RAJA DATO' SERI AMAN  
BIN RAJA HAJI AHMAD**  
Independent Non-Executive  
Director

**DATUK AZZAT  
BIN KAMALUDIN**  
Non-Independent  
Non-Executive Director



# DIRECTORS' PROFILE



## GEN (R) TAN SRI DATO' SERI MOHD ZAHIDI BIN HJ ZAINUDDIN

Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin, a Malaysian aged 59, was appointed as a Non-Independent Non-Executive Director and Chairman of the Board on 17 October 2005. He is also a member of the Remuneration and Nomination Committees. Gen (R) Tan Sri Dato' Seri Mohd Zahidi served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level. He was the Chief of Defence Forces with the rank of General from 1 January 1999 till his retirement on 30 April 2005. Gen (R) Tan Sri Dato' Seri Mohd Zahidi is a graduate of Senior Executive Program in National and International Security Harvard University, USA, Command and General Staff College Philippines, Joint Services Staff College Australia and National Defence College Pakistan. He also holds a Master of Science Degree (Defence and Strategic Studies) of Quaid-I-Azam University Islamabad, Pakistan. His current directorships in other public companies include Cahya Mata Sarawak Berhad, Resort World Berhad, Bintulu Port Holdings Berhad, Asiatic Development Berhad, Wah Seong Corporation Berhad and Bandar Raya Development Berhad. He is made a member of Dewan Negara Perak, elected by DYMM Paduka Seri Sultan Perak on 25 November 2006 and also a director of Yayasan Sultan Azlan Shah. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

## TAN SRI DATO' LODIN BIN WOK KAMARUDDIN

Tan Sri Dato' Lodin bin Wok Kamaruddin, a Malaysian aged 59, was appointed as a Director of AFFIN Holdings Berhad on 19 July 1986. He was subsequently appointed as the Managing Director of the Company in February 1991. He is also a member of the Employee Share Option Scheme and Nomination Committees. Tan Sri Dato' Lodin has vast business and management experience pursuant to his various positions held in Lembaga Tabung Angkatan Tentera ("LTAT") Group of Companies. He is the Chief Executive of LTAT and the Group Managing Director of Boustead Holdings Berhad. Prior to joining LTAT, he was the General Manager of Perbadanan Kemajuan Bukit Fraser for 9 years. He sits on the Board of Boustead Holdings Berhad, Boustead Heavy Industries Corporation Berhad, Boustead Plantations Berhad, Boustead Properties Berhad, UAC Berhad, Johan Ceramics Berhad, The University of Nottingham in Malaysia Sdn Bhd, Boustead Naval Shipyard Sdn Bhd, Boustead REIT Managers Sdn Bhd and Badan Pengawas Pemegang Saham Minoriti Berhad. He is also a member of Yayasan Warisan Perajurit. Tan Sri Dato' Lodin also sits on the Board of subsidiaries of AFFIN Holdings Berhad namely AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Investment Bank Berhad and AXA-AFFIN Life Insurance Berhad. He graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration Degree. He also holds a Master of Business Administration Degree from the same university. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



#### **MAJ GEN (R) DATO' MOHAMED ISA BIN CHE KAK**

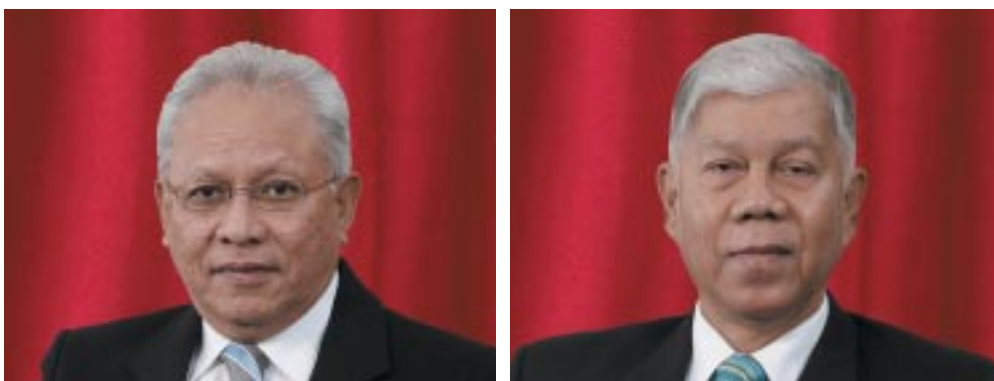
Maj Gen (R) Dato' Mohamed Isa Bin Che Kak, a Malaysian aged 72, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 25 April 1991. He is the Chairman of the Audit Committee and a member of the Nomination and Employee Share Option Scheme Committees. Maj Gen (R) Dato' Mohamed Isa also sits on the Board of LBS Bina Group Berhad and C.I. Holdings Berhad. He served the Armed Forces for 32 years since 1958 and has more than 16 years of experience in private sector service. During his service with the armed forces, he held many important posts. His last held rank was Major General. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

#### **DATO' MUSTAFA BIN MOHAMAD ALI**

Dato' Mustafa Bin Mohamad Ali, a Malaysian aged 71, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 28 November 2002. He is also the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee. Dato' Mustafa sits on the Board of AXA-AFFIN Life Insurance Berhad, a subsidiary of AFFIN Holdings Berhad. Dato' Mustafa also sits on the Board of Pacific Mutual Berhad and Batu Kawan Berhad. He graduated with a Bachelor of Arts (Honours) Degree majoring in Economics from Cambridge University, UK. He also holds a Diploma in Advertising from the Advertising Association, UK. He has attended the Advanced Management Programme at the Harvard Business School, USA. Dato' Mustafa held various positions, including as Marketing Director for Malaysian Tobacco Company from 1974 to 1979, Corporate Planning Executive for British-American Tobacco, Co. London from 1980 to 1982, Managing Director (Tobacco Division) for Malaysian Tobacco Company from 1982 to 1988, Director of Sime Darby (International Operation) from 1988 to 1992 and Regional Director of Sime Darby (Malaysian Region Operations) from 1992 to 1994. He was an Adviser for Kumpulan Guthrie from 1994 to 2002. Dato' Mustafa is currently a trustee of Harvard Business School Alumni, Club of Malaysia Foundation and the British Graduates Association. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



## DIRECTORS' PROFILE (CONTINUED)



### **RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD**

Raja Dato' Seri Aman Bin Raja Haji Ahmad, a Malaysian aged 62, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 25 April 1991. He is also a member of the Audit and Nomination Committees. Raja Dato' Seri Aman was the Chief Executive Officer of AFFIN Bank Berhad, a wholly owned subsidiary of AFFIN Holdings Berhad until May 2003. Presently, Raja Dato' Seri Aman sits on the board of AFFIN Investment Bank Berhad, a subsidiary of AFFIN Holdings Berhad. He is also presently a Director of Ahmad Zaki Resources Berhad and Tomei Consolidated Berhad. Raja Dato' Seri Aman graduated with a Bachelor of Arts Degree from University of Malaya. He is a member of the Malaysian Institute of Accountants, a Certified Public Accountant and a Fellow of the Institute of Chartered Accountant of England and Wales. He held various positions in Maybank Group from 1974 to 1985 prior to joining AFFIN Bank in 1985 as an Executive Director. He left AFFIN Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as the Chief Executive Officer for one year before he was appointed as Chief Executive Officer of AFFIN Bank Berhad in 1995. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

### **DATUK AZZAT BIN KAMALUDIN**

Datuk Azzat Bin Kamaludin, a Malaysian aged 62, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 25 April 1991. He is the chairman of the Employee Share Option Scheme Committee and a member of the Remuneration Committee. He graduated from the University of Cambridge with degrees in Law and in International Law in 1968 and 1969 respectively and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. He served as an Administrative and Diplomatic Officer with the Minister of Foreign Affairs Malaysia from 1970 to 1979. Since then he has been a partner of the legal firm of Azzat & Izzat. He is also presently a Director of Boustead Holdings Berhad, Pulai Springs Berhad, KPJ Healthcare Berhad, Celcom (Malaysia) Berhad, Boustead Heavy Industries Corporation Berhad (formerly known as PSC Industries Berhad) and VisDynamics Holdings Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner. He has not been convicted of any offence.

# AUDIT COMMITTEE REPORT

The Board of AFFIN Holdings Berhad is pleased to present the Report on the Audit Committee (AC) for the financial year ended 31 December 2007.

## COMPOSITION OF MEMBERS AND MEETINGS

The AC members and details of the attendance of each member at four (4) AC meetings held on 12 February 2007, 14 May 2007, 16 August 2007 and 13 November 2007 are as follows:

No.	Name	No. of AC Meetings		Percentage %
		Held	Attended	
1.	Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak <i>Chairman/Independent Non-Executive Director</i>	4	4	100
2.	Dato' Mustafa bin Mohamad Ali <i>Member/Independent Non-Executive Director</i>	4	4	100
3.	Raja Dato' Seri Aman bin Raja Haji Ahmad <i>Member/Non-Independent Non-Executive Director</i>	4	2	50

The Composition of AC had met the criteria set by the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements Chapter 15 Part C on Audit Committee.

The internal auditors and two members of top management were invited to attend all the meetings during the financial year.

The Company's external auditors attended two AC meetings during the period. There were discussions between the AC and the external auditors with regard to significant audit issues and business issues highlighted by them for financial year ended 31 December 2006. The AC had also reviewed the external auditors' audit plan for the financial year ending 31 December 2007. The AC had met with the external auditors once without the presence of an executive board member in 2007.

The Chairman also met with the internal auditors in two private sessions and external auditors in one private session during the financial year. The Chairman of the Committee briefed the Board on issues discussed at the AC meetings.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The AC carried out the following activities in discharging its duties and responsibilities:

### External Audit

- 1) Reviewed the audit plan for the financial year ended 31 December 2007 to ensure their scope of work adequately covered the activities of the Company and the Group;
- 2) Reviewed the results/issues arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee;
- 3) Reviewed and evaluated the external audit performance, objectivity and independence during the year before recommending to the Board for their re-appointment and remuneration.



## AUDIT COMMITTEE REPORT (CONTINUED)

### Internal Audit

- 1) Reviewed the Internal Audit Plan and Training Budget for year 2008 in ensuring that adequate scope and comprehensive coverage on the audit activities and principal risk areas are adequately identified;
- 2) Reviewed the adequacy of resources and the competencies of staff within the Internal Audit Department to execute the plan as well as the audit programmes used in the execution of internal auditors' job to ensure satisfactory performance of the internal audit department;
- 3) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and monitor the status of corrective actions taken by management to rectify any deficiencies identified by internal audit as well as ensuring that all issues are adequately resolved on a timely basis;
- 4) Reviewed the status report of Internal Audit activities for the financial year ended 31 December 2007 to ensure all the planned activities were satisfactorily carried out;
- 5) Reviewed the Summary of Audit Findings by the Banking Group Internal Auditors and Quarterly Status Update on Issues Highlighted in the External Auditors' Audit Reports to ensure that significant issues were addressed and resolved on a timely basis.

### Financial Results

- 1) Reviewed with the executive members the quarterly and half yearly unaudited financial results before recommending to the Board for their approval.
- 2) Reviewed with the executive members and the external auditors the annual audited financial statements of the Company and the Group before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the Terms of Reference, "Functions and Duties" of the AC.

### Related Party Transactions

- 1) Reviewed related party transactions for compliance with the Listing Requirements of Bursa Malaysia and the appropriateness of such transactions before recommending to the Board for its approval.

## AUDIT COMMITTEE TERMS OF REFERENCE

### 1.0 OBJECTIVE

- 1.1 The Audit Committee (AC) plays an important role in ensuring that good Corporate Governance is maintained by the AFFIN Group. It serves to implement and support the function of the Board by reinforcing the independence and objectivity of the Internal Audit Department (IA).

### 2.0 COMPOSITION AND APPOINTMENT

- 2.1 The AC shall have at least three (3) members of whom all must be non-executive directors with a majority of them being independent directors. The Chairman of the Committee shall be an independent, non-executive Director. No alternate Director shall be appointed to the AC.
- 2.2 At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Bhd's Listing Requirements.
- 2.3 AC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.

- 2.4 The Board shall review the terms of reference and performance of the AC and each of its members at least once every three (3) years to determine whether the AC has carried out its duties in accordance with its terms of reference.
- 2.5 If a member of the Committee resigns or for any reason ceases to be member in the AC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.
- 2.6 The AC shall have no executive powers.

### 3.0 AUTHORITY

- 3.1 The AC, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the company's expense:
  - 3.1.1 Have authority to investigate any matters within its terms of reference;
  - 3.1.2 Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
  - 3.1.3 Have full and unrestricted access to any information pertaining to the Group;
  - 3.1.4 Have direct communication channels with the external auditors, internal auditors and all employees of the Group;
  - 3.1.5 Be able to convene meetings to discuss issues or reservations or any matter with the external auditors, the internal auditors or both, in the absence of other directors and employees of the company, whenever deemed necessary;
  - 3.1.6 Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

### 4.0 MEETINGS

- 4.1 The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being independent, non-executive directors. If the Chairman is unable to attend any meeting, any other independent, non-executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.
- 4.2 The AC shall meet at least four (4) times in a financial year. In addition, the Chairman may call for additional meeting/s at any time as circumstances dictate with reasonable notice to the AC members to ensure that critical issues are highlighted to all Board members in a timely manner. Where possible, the AC meetings are convened before the Board meetings. The AC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.
- 4.3 All minutes of the AC meetings shall be kept by the Company Secretary and shall be available for inspection by the AC members, internal and external auditors.

### 5.0 FUNCTIONS AND DUTIES

- 5.1 The functions and duties of AC shall include, but not limited to the following:
  - 5.1.1 To ensure listed company/ies must establish an internal audit function which is independent of the activities it audits.
  - 5.1.2 To review the adequacy of the scope, functions, competency and resources of the Internal Audit Department and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and management implementation of agreed actions as recommended by the Head of Internal Audit (HIA). Where appropriate, the Committee may direct the management to rectify and improve the system of internal controls and procedures based on the internal auditors' recommendations and suggestions for improvements.

## AUDIT COMMITTEE REPORT (CONTINUED)

- 5.1.3 To consider the major findings of internal investigations and management's response.
- 5.1.4 To assess and determine the performance of HIA. The remuneration, annual increment and performance related incentives of the HIA and IA should be decided by the AC.
- 5.1.5 To approve the appointment or termination of HIA and to be informed of the appointment or resignations of internal auditors.
- 5.1.6 To recommend to the Board the appointment of external auditors and their audit fee.
- 5.1.7 To review with the external auditors the scope of the audit plan, system of internal controls, the audit reports (including management letter and management response), the assistance given by the Management and any findings or action to be taken.
- 5.1.8 To act upon any request from the Board to investigate and report on any issues of concern with regard to the management of the Group.
- 5.1.9 To review the Group's business risk management process including adequacy of the Group's control environment.
- 5.1.10 To review the findings of any examinations by regulatory authorities and the management response.
- 5.1.11 To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.
- 5.1.12 To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.
- 5.1.13 To review the quarterly results and year end financial statements prior to the approval by the Board of Directors focusing on the following:
  - Changes in or implementation of major accounting policy;
  - Significant and unusual events or any going concern assumption;
  - Significant adjustments arising from the audit;
  - Compliance with accounting standards and other legal requirements.
- 5.1.14 To review any related party transactions and conflict of interest situation that may arise within the AFFIN Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 5.1.15 To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.
- 5.1.16 To review, if any, letter of resignation from the external auditors of AFFIN Group of companies and assess whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- 5.1.17 To ensure that other directors and employees attend AC meeting only at the AC's invitation.
- 5.1.18 To meet with the external auditors without the Executive of the company at least twice (2) a year.

# CORPORATE GOVERNANCE STATEMENT

The Board of AFFIN Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance (“the Code”) and the relevant provisions in the Bursa Malaysia Securities Berhad (“BMSB”) Listing Requirements. The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group.

## CORPORATE GOVERNANCE WITHIN AFFIN HOLDINGS BERHAD

The Board recognises that corporate governance is a continuous process that requires periodic reassessment and refinement.

## THE BOARD OF DIRECTORS

The Board has the responsibility for leading and controlling the Group including those pertaining to corporate governance, strategic direction and overseeing the investments and operations of the Group.

## COMPOSITION OF THE BOARD

The Board currently has six (6) members comprising a Non-Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director, who is the Managing Director.

### (a) Board Members

Name of Directors	Executive / Non-Executive Director	Independent / Non-Independent Director
Gen (R) Tan Sri Dato’ Seri Mohd Zahidi bin Hj Zainuddin (Chairman)	Non-Executive	Non-Independent
Tan Sri Dato’ Lodin bin Wok Kamaruddin (Managing Director)	Executive	Non-Independent
Raja Dato’ Seri Aman bin Raja Haji Ahmad (redesignated as independent director w.e.f 15 January 2008)	Non-Executive	Independent
Maj Gen (R) Dato’ Mohamed Isa bin Che Kak	Non-Executive	Independent
Datuk Azzat bin Kamaludin	Non-Executive	Non-Independent
Dato’ Mustafa bin Mohamad Ali	Non-Executive	Independent

A brief description of the background of each Director is presented in this Annual Report.

### (b) Board Balance

The membership of the Board complies with the provision of the Code in that at least one-third of the Board must be independent. The Directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and Managing Director are clearly defined in the Board Policy Manual.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

Maj Gen (R) Dato' Mohamed Isa bin Che Kak is the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors shall be conveyed.

Raja Dato' Seri Aman bin Raja Haji Ahmad, a member of the Audit Committee, is a member of the Malaysian Institute of Accountants ("MIA") and meets the requirements of Paragraph 15.10(1) of the BMSB Listing Requirements.

### BOARD MEETINGS

The Chairman is responsible for ensuring that the Board meets on a regular basis throughout the year. The Board meets at least four (4) times a year, with additional meetings convened as necessary. It has a formal time schedule that is determined in advance. The notice of the meetings is circulated to Board members at least fourteen (14) days before the meeting and the agenda and Board reports are circulated at least five (5) days before each meeting.

The Board has a formal schedule of matters (including strategic and policy issues, financial decisions and the annual business plan) reserved to it. The Board and its committees are supplied with all necessary information to enable them to effectively discharge their responsibilities.

The quorum for the Board meetings is a minimum of 3 attendees or 50% of total board members, whichever is higher as set out in the Board Policy Manual and the revised Guidelines on Corporate Governance for Licensed Institution (Revised BNM/GP1). All conclusions of the Board are duly recorded in the Board minutes.

During the financial year ended 31 December 2007, seven (7) meetings were held. The details of attendance of each Director at the Board meetings held during his tenure of service are as follows:

Name of Directors	Attendance at Board meetings
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	7/7
Tan Sri Dato' Lodin bin Wok Kamaruddin	7/7
Raja Dato' Seri Aman bin Raja Haji Ahmad	5/7
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	6/7
Datuk Azzat bin Kamaludin	7/7
Dato' Mustafa bin Mohamad Ali	7/7

### SUPPLY OF INFORMATION

All Directors are entitled to information pertaining to the Group to enable them to effectively discharge their duties as Directors. There are established procedures in place for any Director to obtain independent professional advice at the cost of the Group. All Directors have access to the advice and services of the Company Secretary or Secretaries.

**APPOINTMENT AND RE-ELECTION OF DIRECTORS****(a) Appointment**

The Board Nomination Committee is in compliance with the best practice set out in the Code on the appointment of members to the Board, and is subject to the approval of Bank Negara Malaysia ("BNM").

**(b) Re-election**

The Company's Articles of Association provides for all Directors to be subjected to re-election by rotation at each Annual General Meeting. The Articles of Association further provides for all Directors, including the Managing Director to submit themselves for re-election at least once in three (3) years in compliance with the BMSB Listing Requirements. The re-appointment of directors retiring by rotation are also subject to the approval of BNM.

**DIRECTORS' TRAINING**

An integral element in the process of appointing new Directors requires new Directors to undergo an orientation program in respect of the businesses of the Group together with meeting the management teams within the Group, including reiterating the expectations of the Board with regard to individual members' contributions to the Board and the Group.

The Nomination Committee further ensures that all Board members undergo the necessary training from time to time and are kept abreast with current regulatory issues and changing commercial risks. Amongst the training programmes and seminars attended by the members of the Board in 2007 were:-

	<b>Program</b>	<b>Conducted by</b>	<b>Date</b>
1	Boardroom Finance for Directors	Rating Agency Malaysia Berhad	10 January 2007
2	Directors Development Programme	Sime Darby Business School	27 January 2007
3	Half-day Workshop on Basel Capital Accord II, Economic Value Management and Banking Trends	KPMG	6 February 2007
4	Value Creation Through Mergers, Acquisition and Corporate Restructuring	The Harvard Club of Malaysia	22 to 23 March 2007
5	Investors and Issuers Forum	Bank Negara Malaysia under the Global Islamic Finance Forum	27 to 29 March 2007
6	ICLIF Alumni Association Seminar - Managing the Information Chasm: The Roles of Board Members and the Executives	International Centre for Leadership in Finance (ICLIF)	29 March 2007
7	Leadership in Challenging Times	The Harvard Club of Malaysia and CEO Development Centre Sdn Bhd	10 to 11 July 2007
8	Workshop on Implementation of BCIC2 Cluster Development Initiatives - Moving Forward	Economic Planning Unit, Prime Minister's Department	26 July 2007
9	Half-day Workshop on Understanding and Making Effective Use of Financial Statements	KPMG	16 August 2007



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	<b>Program</b>	<b>Conducted by</b>	<b>Date</b>
10	Audit Committee Forum: Meeting New Audit Committee Challenges	Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia	10 September 2007
11	Improving Board Directors' Performance, Leadership & Governance	Knowledge Group Consulting	18 September 2007
12	Updates on the Companies (Amendment) Act 2007	Hichs-Woode Corporate Services Sdn Bhd	25 September 2007
13	Briefing on the Anti Money Laundering Act 2001	Institut Bank-Bank Malaysia	31 October 2007
14	Updates to Bursa Listing Requirements - Issues & Challenges	RAM Holdings Berhad	31 October 2007
15	Seminar on Doing Business 2008: "Reforming the Business Environment"	National Productivity Council	31 October 2007

### DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Group successfully.

The Remuneration Committee is responsible for recommending to the Board the framework of executive remuneration and its cost, and the remuneration packages of the Executive Directors. The Executive Directors play no part in decisions on their own remuneration.

The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors do not participate in decision on their own remuneration packages.

Fees payable to Directors are recommended by the Remuneration Committee to the Board for approval by the shareholders at the Annual General Meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of performing their duties as Directors.

The details of the remuneration for the financial year ending 31 December 2007 of the Directors are as follows:

<b>Directors</b>	<b>Fees (RM)</b>	<b>Allowances (RM)</b>	<b>Other Emoluments (RM)</b>	<b>EPF Contribution (RM)</b>	<b>Benefit in kind (RM)</b>	<b>Total (RM)</b>
<b>EXECUTIVE DIRECTOR</b>	224,000	214,500	–	21,000	–	<b>459,500</b>
<b>NON-EXECUTIVE DIRECTORS</b>	273,000	196,800	118,050	–	18,300	<b>606,150</b>
<b>TOTAL</b>	497,000	411,300	118,050	21,000	18,300	<b>1,065,650</b>

The number of Directors whose total remuneration during the year fall within the following bands are as follows:

	No. of Directors
<b>Executive Director:</b>	
RM 450,001 to RM 500,000	1
<b>Non-Executive Directors:</b>	
RM 1 to RM 50,000	1
RM 100,001 to RM 150,000	2
RM 150,001 to RM 200,000	2

## THE BOARD COMMITTEES

The current Board Committees to assist the Board in the execution of its responsibilities are as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Employee Share Option Scheme (“ESOS”) Committee

### (a) Audit Committee

The present terms of reference of the Board Audit Committee is in compliance with the requirements of the BMSB Listing Requirements and the best practices contained in the Code.

The report of the Audit Committee for the period is set out separately in the Annual Report.

### (b) Nomination Committee

The members of the Nomination Committee are as follows:

Dato’ Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Tan Sri Dato’ Seri Mohd Zahidi bin Hj Zainuddin	Non-Independent Non-Executive Director
Tan Sri Dato’ Lodin bin Wok Kamaruddin	Non-Independent Executive Director
Maj Gen (R) Dato’ Mohamed Isa bin Che Kak	Independent Non-Executive Director
Raja Dato’ Seri Aman bin Raja Haji Ahmad	Independent Non-Executive Director
(Redesignated as independent director w.e.f. 15 January 2008)	

Prior to BNM Guidelines on Corporate Governance (“BNM/GP1”) came into effect in September 2005, AHB was in compliance with the best practices in the Malaysian Code on Corporate Governance (“MCCG”) by having a Nomination Committee composed exclusively of three non-executive directors with two members who are independent. The composition of the Nomination Committee was changed in February 2006 to comply with BNM/GPI which requires a minimum of five members of which at least four must be non-executive directors. The Board of AHB is in the process of assessing the composition of the Nomination Committee to ensure that it also complies with the best practices in MCCG which requires the Committee to be composed exclusively of non-executive directors, a majority of whom are independent.

On 5 November 2007, AHB submitted an appeal to BNM for the redesignation of YM Raja Dato’ Seri Aman bin Raja Haji Ahmad as independent director of AHB. On 15 January 2008, BNM approved the redesignation of YM Raja Dato’ Seri Aman bin Raja Haji Ahmad as an independent director of AHB. With the approval, the majority of the Nomination Committee members are independent.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Nomination Committee has the following terms of reference:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend Directors to fill the seats on Board Committees;
- To assess the effectiveness of the Board as a whole and the Committees of the Board;
- To assess the contribution of each individual Director;
- Reviewing annually the Board structure, size and composition to ensure that the Board comprises a majority of Non-Executive Directors with the appropriate mix of skills and experience, including core competencies which Non-Executive Directors should bring to the Board;
- Reviewing regularly the status of independent directors;
- Ensuring the existence of an appropriate framework and succession plan for the Managing Director, Executive Directors and senior management of the Company;
- Recommending Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;
- Ensuring that all Board appointees undergo the necessary training programs prescribed by the applicable statutory and regulatory bodies; and
- Providing for adequate training and orientation of new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Group.

The Committee had reviewed the size and composition of the Board and its committees and is of the opinion that the current Board and its committees possess the appropriate mix of skills and competencies required to effectively lead the Group. The Nomination Committee held three (3) meetings during the financial year. During the meetings, the Committee:-

- i) noted the BNM's approval dates for the re-appointment of directors and their respective expiry dates;
- ii) determined the directors who retire by rotation;
- iii) conducted assessment for the submission of application to BNM for the re-appointment of directors whose terms of approval by BNM are due to expire;
- iv) conducted the Director's Appraisal for the year 2006;
- v) noted the list of trainings available for directors in year 2007;
- vi) conducted an assessment of Board effectiveness as required by the Green Book under the Government Linked Companies ("GLC") Transformation Programme;
- vii) assessed and recommended the application to BNM for the appointment of nominees from The Bank of East Asia Limited as directors of AFFIN Holdings Berhad and noted the nominees from The Bank of East Asia Limited as directors of AFFIN Bank Berhad and AFFIN Investment Bank Berhad; and
- viii) assessed and recommended for the submission of appeal to BNM for the redesignation of YM Raja Dato' Seri Aman bin Raja Haji Ahmad as an independent director of AFFIN Holdings Berhad.

### (c) Remuneration Committee

The members of the Remuneration Committee are as follows:

Dato' Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Non-Independent Non-Executive Director
Datuk Azzat bin Kamaludin	Non-Independent Non-Executive Director

The Remuneration Committee is responsible for setting the framework for the remuneration policy and for recommending to the Board the remuneration and benefits extended to Executive Directors and employees, the Director concerned abstaining from deliberations and voting on decisions in respect of his own remuneration.

In addition, the Remuneration Committee also reviews and approves the Managing Director's recommendation on the salary increment, bonus and other benefits extended to the Company's senior management.

The Remuneration Committee held one (1) meeting during the financial year. During the meeting, the Committee noted the implementation of the revised directors' remuneration for AHB and its subsidiaries and discussed on the timing of approval of increment for year 2008 and bonus for year 2007 for the staff.

**(d) ESOS Committee**

The members of the ESOS Committee are as follows:

Datuk Azzat bin Kamaludin (Chairman)	Non-Independent Non-Executive Director
Tan Sri Dato' Lodin bin Wok Kamaruddin	Non-Independent Executive Director
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Independent Non-Executive Director

The terms of reference of the ESOS Committee is to assist the Board in the administration of the ESOS in accordance to approved By-Laws, guidelines and rulings of the relevant authorities that are applicable during the period of the scheme. The ESOS Committee had no meeting during the financial year.

**SHAREHOLDERS****(a) Dialogue between the Company and Investors**

The Group values dialogue with investors. The aims of the investor relations program are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Various announcements and quarterly financial results were made during the year to provide shareholders with information on the Group's performance and operations. The Group also holds meetings, briefings and road shows with investors and fund managers from time to time to update them on the latest developments and corporate exercises undertaken by the Group. The Board delegates the authority to the Chairman and Managing Director to speak for the Group.

In addition, the Group has established a website at [www.affin.com.my](http://www.affin.com.my) which shareholders can access for information pertaining to the Group.

**(b) Annual General Meeting**

The Annual General Meeting is the principal forum for dialogue with the shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All the Directors are available to respond to shareholders' questions during the meeting.

For re-election of Directors, full information is provided with the notice of the meeting regarding Directors who are retiring and whether they are willing to serve if re-elected.

Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

**ACCOUNTABILITY AND AUDIT****(a) Financial Reporting**

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. In preparing the financial statements, the Directors consider that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (b) Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, to safeguard shareholders' investments and the Group's assets. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence. The Board has appointed the Board Audit Committee to review the effectiveness of control procedures and report to the Board on all findings for deliberations.

Some of the key elements of the Group's internal control systems are described below:

- Clearly defined delegation of responsibilities to the Board Committees and the management of the Group, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year;
- Audits are undertaken at regular intervals to monitor compliance with policies and procedures; and
- Monitoring of results against the annual business plan, with major variances examined and management action taken.

Details of the Group's internal control systems and the state of internal controls are further elaborated under the Statement on Internal Control provided separately in the Annual Report.

### (c) Relationship with the auditors

Through the Audit Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. A report of the Audit Committee is provided in pages 13 to 16 in this Annual Report.

### (d) Directors' Responsibilities in Respect of the Audited Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2008.

**Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin**  
Chairman

**Tan Sri Dato' Lodin bin Wok Kamaruddin**  
Managing Director

# STATEMENT ON INTERNAL CONTROL

The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Group. The Board is of the view that the system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.

The Board meets regularly to discuss matters related to system of internal control which covers inter alia financial, operational, compliance controls and risk management procedures. The key processes used by the Board in carrying out its review include the following:

1. Regular reports from the Heads of Key risk functions of the main operating subsidiaries that systems and procedures are in place to identify, control and report on the major risks including credit risk, operational risk, market risk, IT risk and liquidity risk. The risk management framework is cascaded downwards through the Management's efforts of fostering a risk-aware and control-conscious environment across the Group.
2. Regular reports received from the Group management on financial performance, key operating statistics, legal and regulatory compliance, breaches of law or regulations, unauthorised activities and fraud are reviewed by the Board.
3. The subsidiaries annual business plan and budget approved at their respective Boards are submitted to the Group management. The variances between the actual and targeted results are presented to the Board on a monthly basis to allow for timely responses and corrective actions to be taken to mitigate risks.
4. The internal audit team of the Holding Company together with the internal audit team of the Banking Group who report to the Audit Committees of the respective Boards, carry out regular reviews of the business processes to assess the effectiveness of internal control and highlight significant risks impacting the whole Group. The Audit Committees of the respective Boards conduct annual reviews on the adequacy of the internal audit department's scope of work and resources.
5. The Audit Committees of the respective Boards regularly review and hold discussions with management on the action taken on internal control issues identified by the internal auditors, the external auditors and regulatory authorities.
6. The Audit Committees of the respective Boards follow up and monitor the status of actions on recommendations made by the internal auditors, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety, which has material impact on the Group.
7. There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, etc.
8. The professionalism and competence of the Group's human resources is maintained through a recruitment process, training and re-skilling programmes and a performance appraisal system.
9. Establishment of channels of communication and procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.



# CHAIRMAN'S STATEMENT



## MY FELLOW SHAREHOLDERS,

I am pleased to have been given the privilege on behalf of the Board of Directors, to present to you AFFIN Holdings Berhad's ('AFFIN') Annual Report and financial statements for the year ended 31 December 2007.

AFFIN's performance during the year under review was encouraging and vibrant, despite major challenges confronting the world economy in 2007 especially the sustained high energy prices and the US subprime mortgage debacle. In Malaysia, inflation has remained within a manageable range and Malaysia's economic conditions continued to remain favourable, thus providing a positive and stable environment for growth. AFFIN's major business entities were able to benefit from the stable economy which at the macro-economic level grew 5.8% in year 2007.

The Government's initiatives of the Ninth Malaysia Plan (9MP) have begun to produce positive impact on the Malaysia economy in 2008. With oil price and interest rates expected to stabilize, the expansionary fiscal policy of the 9MP augurs well for the Malaysian economy where real GDP growth is projected to expand by 6% with contribution coming from all sectors of the economy. AFFIN's business development activities in year 2008 should benefit accordingly.

While we are encouraged to remain focused on expanding AFFIN's business base, we take full cognizance of the need to be a responsible corporate citizen by embarking on several Corporate Social Responsibility (CSR) initiatives which I will elaborate further in the later part of this review.

## YEAR 2007 GROUP RESULTS

For year 2007, AFFIN achieved satisfactory results overall, with the Group reporting a consolidated profit before tax of RM353.0 million as compared to RM314.4 million registered previously.

In 2007, we achieved a significant milestone whereby we successfully grouped our investment banking related business under one company, AFFIN Investment Bank Berhad, by transferring the businesses of AFFIN Merchant Bank Berhad, AFFIN Securities Sdn Bhd and AFFIN Discount Berhad to AFFIN Investment Bank Berhad. As a full-fledged Investment Bank, AFFIN Investment is now able to create a strong niche brand and enhance its long-term growth prospects by offering a wider scope of investment banking activities under one roof.

In October 2007, AFFIN Holdings Berhad entered into a strategic partnership with The Bank of East Asia, Limited (BEA), the largest independent local bank in Hong Kong. BEA as a strategic partner has the expertise and technical know-how to contribute significantly to the banking business and strategies of the Group. This would position AFFIN Group as a major player in the financial services industry not only in Malaysia but also the region to meet the challenges of a liberalised banking arena, in line with our long term strategic objectives. AFFIN Group will also be able to leverage on the international platform and strengths of BEA which in turn would enable us to enhance our competitive edge. Further, this partnership creates a unique growth opportunity for both AFFIN Group and BEA based on our customer franchise and BEA's strength in service innovation.

During the year, AFFIN Group was active in developing various improvement plans, in line with the Government Linked Companies (GLC) Transformation Programme initiatives to enhance the capabilities and performance of the GLCs. We are currently on track as ongoing efforts for continuous improvements have met the timelines set under the programme.

Over the last two years, we have also streamlined our core businesses in order to remain relevant in the fast changing banking and financial landscape in our country. We have recently received Bank Negara Malaysia's approval whereby three of our core banking entities namely AFFIN Bank Berhad, AFFIN Investment Bank Berhad and AFFIN Islamic Bank Berhad will be structured under AFFIN Capital Sdn Bhd (AFFIN Banking Group), a wholly-owned subsidiary of AFFIN Holdings Berhad. The services and systems of the three banking subsidiaries will be integrated and rationalized and as an integrated platform, the group will be able to offer a full suite of banking and investment products to meet the challenging demands of today's globalized economy.

With centralized operational functions, the AFFIN Banking Group will be able to lower costs, increase efficiency levels and allow better cross-selling of our products and services. Once completed, this restructuring exercise would strategically position the AFFIN Banking Group as a universal banking entity providing a comprehensive and seamless range of quality banking products and services.

Training for directors organised by AFFIN Holdings Berhad conducted by KPMG on 15 August 2007.



Official launching of AFFINBANK Tawau Branch on 9 July 2007.





Zakat presentation by AFFINBANK to the Menteri Besar of Terengganu on 23 October 2007 as part of its home building project for the poor in Kuala Terengganu.



Zakat presentation by AFFINBANK to YB Dato' Awang Adek Husin, Deputy Finance Minister on 8 September 2007 as part of its home building project for the poor in Bachok.

At this juncture, I would like to comment in more detail on the performance of each of our operating subsidiaries and associate, during the year under review.

### AFFIN BANK BERHAD (AFFIN BANK)

With the commitment from all staff and unwavering support from all our valued customers and shareholders, once again the Bank has managed to improve its results. The Bank recorded a profit before tax and zakat of RM251.21 million for the financial year ended 31st December 2007, representing a growth of 15% per cent from last year's result of RM218.46 million. The AFFIN Bank Group managed to register a profit before tax of RM322.0 million against RM272.3 million recorded in 2006. As a result, both the Group and the Bank's earnings per share have increased to 18.0 sen and 14.0 sen in 2007 against earnings per share of 15.4 sen and 12.3 sen respectively in the previous year.

In 2007, the Bank's shareholder's equity expanded to RM2.41 billion from RM2.23 billion in 2006 an increase of 8.24%. Meanwhile, its share capital increased by RM149.0 million to RM1.44 billion compared to RM1.29 billion last year.

During the year under review, total assets expanded slightly by RM52.5 million to RM26.23 billion from RM26.18 billion recorded in 2006. However, growth in loans, advances and financing showed marginal contraction of 4.1% to register at RM15.10 billion compared to RM15.75 billion in 2006.

The Bank's deposits from customer's rose slightly to register at RM19.78 billion from RM19.77 billion recorded the previous year. The Bank's net interest income expanded to RM634.7 million, an increase of 5.98% from RM598.9 million recorded in 2006.

Continuous efforts have been made to improve the Bank's net performing loans and in 2007 the Bank managed to lower its non-performing loan further to 8.38% from 12.43% recorded in 2006.

In the year under review, the Bank's core capital ratio improved further to 11.10% compared to 10.58% in the previous year. Meanwhile, risk weighted capital ratio increased to 13.79% against 13.41% in 2006.

Moving forward, we will remain focused to expand AFFIN Bank's business base by taking full advantage of the many opportunities presenting itself as the Government initiatives of the 9MP begin to produce the desired impact on the Malaysia economy.

## AFFIN INVESTMENT BANK BERHAD (AIBB)

The year 2007 had marked a significant milestone for the investment banking fraternity with the emergence of 14 investment banks following the introduction of Bank Negara Malaysia and Securities Commission's Guidelines on Investment Banks in 2005 and the industry transformation process in 2006. These initiatives were designed towards promoting a competitive and dynamic financial system.

The Investment Bank Group posted a lower profit before tax and zakat of RM61.97 million in 2007, a decrease of 23.46% from RM80.96 million registered previously. Net profit for the financial year was recorded at RM44.63 million, down 28.87% from RM62.75 million in 2006. This has translated to lower earnings per share of 21.08 sen compared to 31.44 sen in 2006. The Bank's lower profit before tax was primarily due to higher impairment loss, lower recoveries and increased operating cost.

During the year, the Investment Bank was involved in several highly successful and notable corporate advisory initiatives. Amongst others, the Investment Bank was the Principal Adviser and Lead Arranger for issuance of up to RM180 million Islamic Private Debt Securities (PDS) for Total Mobile Sdn Bhd, Arranger for RM410 million of Syndication Banking Facilities to TL Offshore Sdn Bhd and Lead Arranger for RM47 million & AED24.6 million Club Deal Banking Facilities for M10 Builders Sdn Bhd.

On the equity market, some notable transactions made by the Investment Banking Division include a restructuring scheme and disposal of Menara PSCI by Boustead Heavy Industries Corporation Berhad, transfer of listing of Fitters Diversified Berhad to the Main Board of Bursa Malaysia Securities, acquisition of Royal Sun Alliance by Boustead Holdings Berhad, bonus issue and share split for Hubline Berhad and acting as the Independent Adviser for the Unconditional Takeover offer by the Employees Provident Fund of Rashid Hussein Berhad.

AIBB also received awards and notable mentions over the year. The Bank received the Best I-REIT Deal 2007 award from the Islamic Financial News for the Boustead Al-Hadharah Boustead REIT, the first Islamic Plantation Real Estate Investment Trust listed on Bursa Malaysia Securities. AIBB was ranked sixth in the Malaysia Domestic Equity Offerings category by Bloomberg Underwriter League Tables and our Research team was ranked in the top ten by ASIAMONEY's Brokers Poll for Best Local Brokerage (Overall), Best Local Brokerage (Megafunds) and Most Independent Research Brokerage (Overall).

AIBB's fund management subsidiary, AFFIN Fund Berhad outperformed its competitors and was ranked as the top performing fund manager for Insurance & IRA Retirement funds by Mercer Composite Survey for period ended September 2007.

AFFINBANK held AFFIN Showcse at The Curve, Mutiara Damansara on 25 March 2007.



Launching of AFFINBANK's PINTAR Program at Sekolah Kebangsaan Teluk Kumbar, Bayan Lepas, Pulau Pinang on 25 May 2007.





## CHAIRMAN'S STATEMENT (CONTINUED)

In meeting the challenges and charting our future direction, AIBB is continually identifying new areas and business initiatives that will further consolidate our position. The Investment Bank is focused on strengthening its business fundamentals in facing the increasingly competitive marketplace. By embarking on strategic initiatives to transform the Bank into a more responsive, innovative, efficient and customer-focused entity, we will add greater breadth and stability to our long-term growth prospects.

### AFFIN MONEY BROKERS SDN BHD (AMBSB)

The company reported a net turnover of RM9.16 million for the year, an increase of 5.3% compared with RM8.70 million in year 2006. Net assets as at 31 December 2007 were RM6.59 million, an increase of 17.3% compared with RM5.62 million for the previous year. The company also recorded a higher profit after tax result of RM1.33 million compared with RM1.03 million. The better than expected results were due to the success of strategic plans successfully implemented by Management.

Revenue contribution by products revealed an excellent overall performance recorded by the Foreign Exchange and Swap/ACU/Derivatives Desk. The SWAP/ACU/Derivatives Desk contributed the highest brokerage income of RM3.53 million representing 39.3% of total brokerage income. This splendid

performance was mainly due to active trading on Interest Rates Swaps and Ringgit Swap together with the introduction of currency options open many arbitrage opportunities.

The brokerage income contribution from the Foreign Exchange Desk increased to RM2.40 million and represents 26.7% of total net brokerage income followed by the Money Market and Instrument Desk contributing RM1.42 million or 15.7% of total net brokerage income. This good performance is due to careful implementation of strategic plans to achieve greater market share.

AMBSB continues to be a highly cash generative business which allowed us to invest in the development of the business. Currently, AMBSB is the only money broking company to have increased its paid-up capital to RM1 million and this has been viewed favorably by its domestic as well as international clients. AMBSB will capitalise on this to exploit future opportunities and achieve greater growth.

### AFFIN INSURANCE BROKERS SDN BHD (AIB)

For the financial year ended 31 December 2007, AFFIN Insurance Brokers Sdn Bhd recorded a profit before tax of RM751,813, an increase of RM598,783 compared to the previous year's profit before tax of RM153,030. However, the industry's growth remained slow in a soft market situation where insurance rates continued to

"Majlis Berbuka Puasa" with orphans and new converts held at Menara AFFIN on 28 September 2007.



Official launch of AFFINBANK Tawau Branch on 9 July 2007 - the first bank to introduce counter-less bank in Tawau, Sabah. In conjunction with the opening, AFFINBANK's charity society AFFINCare presented cash to 35 orphans and personal computers to Sekolah Agama Rakyat Yayasan Al-Falah.





Blood Donation Campaign held in Menara AFFIN organised by AFFINBANK on 3 April 2007.



Signing ceremony of M-I-O Builders Sdn Bhd in relation to RM47 Million and AED24.6 Million Club Deal Banking facilities arranged by AFFIN Investment bank Berhad.

erode. The market environment of continued intense competition still poses a big challenge.

#### AXA AFFIN GENERAL INSURANCE BERHAD (AAGIB)

AAGIB reported underwriting profit of RM18.7 million for the year. Whilst this was a reduction from the previous year underwriting profit of RM41.3 million, it was nevertheless a satisfactory result in a very competitive market and also a consequent of large claims payout incurred during the year.

In 2007, we continued to invest in human capital, hiring quality people where necessary, and more importantly, providing them with the necessary training and exposure to create a team at par with the best in the industry. In order to provide greater service to all our clients and intermediaries, our investment in IT, products and branch development will continue. We also have in place some major plans aimed at inculcating a sales oriented culture in order to improve our market position. In 2007 we opened a new branch in Petaling Jaya bringing our total number of branches to 16. Going forward, we will continue to identify other areas of potential growth.

Like 2007, we do not expect 2008 to be a particularly easy year. Nevertheless, with the various corporate strategies we have put in place, the quality of our staff, our commitment to customer

satisfaction, our investment in technology and our product offerings, we are well placed to compete effectively and are confident of delivering satisfactory results.

#### AXA AFFIN LIFE INSURANCE BERHAD (AALIB)

The year 2007 was both challenging and exciting for AXA AFFIN Life Insurance Berhad (AALIB). The company was officially launched on 30th January 2007 by the Deputy Governor of Bank Negara Malaysia, Y.Bhg. Dato' Mohd Razif bin Abdul Kadir. As a company in its first year of business operations, AALIB ended the year 2007 with a registered loss before tax of RM19.2 million due to slower growth in new business against higher start-up management expenses. AALIB recorded a gross premium of RM29.5 million. The investment linked funds performed well against its benchmark, gaining confidence amongst policyholders.

On the distribution front, AALIB continued to aggressively recruit potential agents and expand itself out of Klang Valley, targeting Southern and Northern regions. AALIB received approval from Bank Negara Malaysia for its regional Bancassurance business model in November and implemented its planned operational infrastructure and groundwork foundation with AFFIN Bank to kick start its bancassurance partnership at all AFFIN Bank branches at the beginning of 2008.





"Majlis Berbuka Puasa" for AFFIN Investment Bank staff with old folks from Rumah Seri Kenangan on 5 October 2007.

AALIB introduced the industry's first no lifetime benefit medical rider to complement its existing range of investment-linked products and riders. Developed with consumers' needs in mind, the Medical Care rider provides a comprehensive range of benefits 24-hour hotline assistance and cashless admission to any hospital listed on the panel of hospitals without a lifetime limit. AALIB also received approval from Bank Negara Malaysia on its enhancement of Mortgage Reducing Term Assurance (MRTA) and Critical Illness riders. On Bancassurance offers, AALIB received approval from Bank Negara Malaysia for its investment-linked products together with six riders towards the end of 2007, giving AALIB the opportunity to start its bancassurance business with full optimism in 2008.

Bank Negara Malaysia has also approved AALIB to set up 6 branches within Malaysia by 2008. AALIB will be targeting market centres with greater business potentials such as Petaling Jaya, Penang, Johor Bahru, Kuching and Sibul to grow new business and expand its agency force.

AALIB is looking positively towards 2008 with upbeat confidence to achieve better results. Marketing plans are in place to introduce more products and offers to gain market share and grow distribution channels. AALIB will continue to explore other alternative distribution channels such as telemarketing and direct marketing with strategic partners and also seek partnership with Financial Advisers to complement existing distribution channels.

## AFFIN GROUP'S CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

AFFIN Group believes in maintaining good relations with the community and strives to create an image of a good corporate citizen that cares for the community.

The company's involvement in the community takes place in many forms including providing financial aid or in-kind to the poor and needy members of the society, sponsorship of special community events or projects, contribution of funds to community organizations or causes and activities with community and staff participation.

For AFFIN Group, CSR extends beyond "philanthropy". It is also about operating a competitive and ethical business which takes into consideration the interest of the community, employees, environment, shareholders and other stakeholders. It is founded on the basis that the Group is not just an organization with profit objectives, but is an organization which believes in being a responsible and caring corporate citizen.

Some of the more notable CSR activities undertaken by the Group during the year were:-

- Annual contribution of RM2 million to Yayasan Warisan Perajurit for scholarships to high achieving children of members of the Armed Forces.



Visit by AXA AFFIN Life Insurance Berhad to Rumah Kasih Sayang Rawang on 10 October 2007.

- Building of houses for hardcore poor families in the East Coast.
- PINTAR programme - contribution of IT equipment to schools and sponsoring school fees for 23 hardcore poor students.
- Contributions to Kumpulan Wang Bantuan Bencana Negara.
- Charity work at various orphanages by the staff of AFFIN Banking Group.

The AFFIN Group and will continue to increase and improve on its CSR initiatives to accomplish our responsibility towards society.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank everyone involved with the AFFIN Group - my colleagues on the Board and the Board of subsidiary and associate companies and the management team and staff of all companies under the group. Your effective execution of AFFIN Group's corporate strategies through sheer hard work, commitment and teamwork in a difficult and challenging business environment have certainly contributed much to the positive results I have just had the pleasure of highlighting to all the shareholders and other stakeholders of AFFIN.

I would also like to thank our shareholders, Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad and our customers for their trust, confidence and continuous support. Last but not least, my sincere thanks and appreciation to Bank Negara Malaysia for their support and continued guidance.

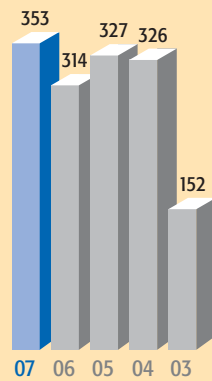
**Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin**  
Chairman, AFFIN Holdings Berhad

# FIVE YEAR GROUP FINANCIAL RECORD

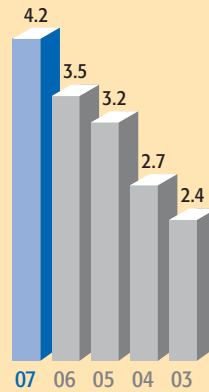
	2007	2006	2005	2004	2003
<b>For the financial year ended 31 December (RM Million)</b>					
<b>OPERATING RESULTS</b>					
Revenue	2,185	1,988	1,918	1,509	1,999
Profit before taxation	353	314	327	326	152
Net profit attributable to equity holders of the company	252	227	236	232	132
<b>As at 31 December (RM Million)</b>					
<b>KEY BALANCE SHEET DATA</b>					
Loans, advances and financing	17,278	17,357	16,973	16,858	16,606
Total assets	36,813	35,484	31,178	32,856	35,211
Deposits from customers	25,559	25,688	21,465	21,519	23,194
Total liabilities	32,576	32,007	27,972	29,789	32,428
Commitments and contingencies	19,416	17,847	25,198	28,247	37,163
Paid-up capital	1,487	1,253	1,211	1,036	993
Shareholders' equity	4,237	3,477	3,206	2,687	2,384
<b>SHARE INFORMATION</b>					
<b>Per share (sen)</b>					
Earnings - Basic	19.11	18.48	19.66	22.90	13.33
- Diluted	18.99	18.29	19.37	22.65	13.28
Gross dividends	5.0	5.0	4.0	1.0	0.5
Net assets	285	278	265	259	240
Share price - high	308	204	201	185	133
Share price - low	181	154	144	104	80
Share price as at 31 December	259	192	157	169	107
Market capitalisation as at 31 December (RM Million)	3,851	2,406	1,901	1,751	1,063
<b>SEGMENT INFORMATION</b>					
<b>Profit before taxation by activities (RM Million)</b>					
Commercial banking and hire purchase	322	272	275	287	142
Investment banking	37	64	78	66	38
Stock-broking	25	6	1	8	(4)
Insurance*	7	14	20	11	16
Others	(38)	(42)	(47)	(46)	(40)
	353	314	327	326	152
* Net of tax					
<b>Paid-up Capital by Subsidiaries (RM Million)</b>					
AFFIN Bank Berhad	1,439.3	1,290.3	1,290.3	1,017.3	1,017.3
AFFIN Investment Bank Berhad	222.2	211.7	187.5	187.5	187.5
AFFIN-ACF Holdings Sdn Bhd	338.4	338.4	338.4	338.4	338.4
AFFIN-ADB Sdn Bhd (formerly known as AFFIN Discount Berhad)	70.0	70.0	70.0	70.0	70.0
AFFIN Capital Sdn Bhd (formerly known as Affin Capital Holdings Sdn Bhd)	100.0	100.0	100.0	100.0	100.0
AFFIN Moneybrokers Sdn Bhd	1.0	1.0	0.2	0.2	0.2

# CHARTS OF THE GROUP'S FIVE YEAR FINANCIAL RECORD

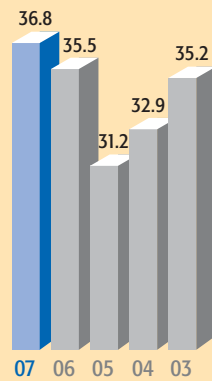
**PROFIT BEFORE TAXATION**  
(RM MILLION)



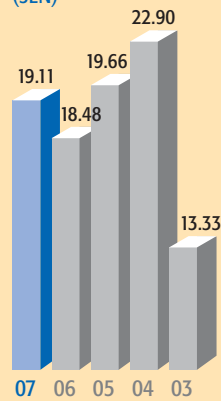
**SHAREHOLDERS' EQUITY**  
(RM BILLION)



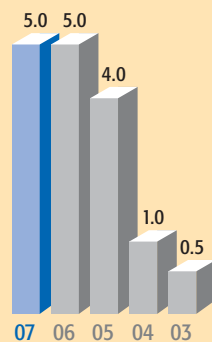
**TOTAL ASSETS**  
(RM BILLION)



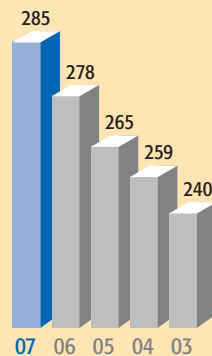
**EARNINGS PER SHARE**  
(SEN)



**GROSS DIVIDENDS PER SHARE**  
(SEN)



**NET ASSETS PER SHARE**  
(SEN)



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, insurance-broking, fund and unit trusts management.

The principal activity of the jointly controlled entity is underwriting of life insurance business while the associate is principally engaged in the underwriting of general insurance business.

There was no significant change in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit before taxation and zakat	352,971	379,518
Taxation and zakat	(101,198)	(104,473)
Net profit for the financial year	251,773	275,045

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2007 were as follows:

	RM'000
In respect of the financial year ended 31 December 2006 as shown in the directors' report for that financial year:-	
Final dividend of 3.0 sen gross per share, less 27% income tax, paid on 8 June 2007	27,925
In respect of the financial year ended 31 December 2007:-	
Interim dividend of 2.0 sen gross per share, less 27% income tax, paid on 28 December 2007	21,698

The directors now recommend the payment of a final dividend of 3.0 sen gross per share, less 26% income tax, amounting to RM33,175,000 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

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

## DIRECTORS' REPORT (CONTINUED)

### ISSUE OF SHARES

During the financial year, the following ordinary shares of RM1 each were issued by the Company:

Date	Terms of issue	Class of shares	Purpose	Number of shares '000
2 January 2007 to 31 December 2007	At RM1.00 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") by eligible employees in the Group	2,782
2 January 2007 to 31 December 2007	At RM1.41 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") by eligible employees in the Group	38,083
26 September 2007	At RM3.74 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Warrant 1997/2007	1
19 October 2007	At RM2.58 per share	Ordinary	Placement of new ordinary shares through private placement exercise	193,202

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

### EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ("ESOS") is governed by the by-laws which were approved by the shareholders on 30 April 2003. Details of the ESOS are set out in Note 26 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia ("CCM") from having to disclose in the report the name of persons to whom options have been granted during the period and details of their holdings. The information has been separately filed with CCM.

### WARRANTS 1997/2007

On 19 September 1997, RM240,000,000 nominal amount of 2% 5-year redeemable bank guaranteed bonds with 54,403,401 detachable warrants ("AFFIN Warrants 1997/2002") were issued to the primary subscriber on a bought deal basis.

The rights to allotments of 54,403,401 AFFIN Warrants 1997/2002 were offered for sale by the primary subscriber at an offer price of 1.13 sen per warrant on the basis of one warrant for every 10 ordinary shares held in the Company. The initial exercise price of AFFIN Warrants 1997/2002 was RM4.15.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrants 1997/2002 holders approved the extension of the exercise period of the warrants for a further 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1997/2002 to expire on 18 September 2007 ("AFFIN Warrants 1997/2007").



**WARRANTS 1997/2007 (continued)**

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1997/2007 were revised to RM3.74 and 61,258,223 respectively as required by the Deed Poll.

During the financial year, only 1,126 AFFIN Warrants 1997/2007 were exercised to take up unissued ordinary shares of RM1.00 each in the Company. The Warrants 1997/2007 expired on 18 September 2007 and the movement in the said Warrants during the financial year is as follows:-

	<b>Number of AFFIN Warrants 1997/2007</b>
At 1 January 2007	61,258,223
Exercised during the financial year	(1,126)
Expired during the financial year	(61,257,097)
	<hr/>
At 31 December 2007	-
	<hr/>

**WARRANTS 2000/2010**

On 8 July 2000, the Company issued 153,775,702 new warrants ("AFFIN Warrants 2000/2005") at no cost together with the rights issue exercise on the basis of one new AFFIN Warrants 2000/2005 for every four ordinary shares held. The exercise price of the AFFIN Warrants 2000/2005 was RM3.10 and was to expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrants 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplemental Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ("AFFIN Warrants 2000/2010"). The exercise price of the AFFIN Warrants 2000/2010 remains at RM3.10.

During the financial year, there was no exercise of AFFIN Warrants 2000/2010 to take up unissued ordinary shares of RM1.00 each in the Company.

	<b>Number of AFFIN Warrants 2000/2010</b>
At 1 January 2007/At 31 December 2007	153,775,702
	<hr/>

**DIRECTORS**

The directors who have held office during the period since the date of the last report are:-

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin  
 Tan Sri Dato' Lodin bin Wok Kamaruddin  
 Raja Dato' Seri Aman bin Raja Haji Ahmad  
 Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak  
 Datuk Azzat bin Kamaludin  
 Dato' Mustafa bin Mohamad Ali

In accordance with Article 105 of the Company's Articles of Association, Tan Sri Dato' Lodin bin Wok Kamaruddin retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to section 129(6) of the Companies Act, 1965, Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak and Dato' Mustafa bin Mohamad Ali retire and offer themselves for re-appointment at the forthcoming Annual General Meeting.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' BENEFITS

During and at end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in our debentures of the Company or any other body corporate except for the share options granted to directors of the Company by the Company, Boustead Holdings Berhad and Lembaga Tabung Angkatan Tentera.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 34 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at end of the financial year in shares, warrants and options over shares in the Company and its related companies are as follows:

The Company	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	–	30,000	–	30,000
Tan Sri Dato' Lodin bin Wok Kamaruddin	8,714*	–	–	8,714
Raja Dato' Seri Aman bin Raja Haji Ahmad	55,500	–	–	55,500
Datuk Azzat bin Kamaludin	110,000	–	–	110,000
* Shares held in trust by nominee company				
<b>Related Companies</b>				
<u>Boustead Heavy Industries Corporation Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	–	2,000,000	–	2,000,000
Datuk Azzat bin Kamaludin	–	525,300	10,000	515,300
<u>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	–	5,466,465	–	5,466,465
<u>Boustead Properties Berhad</u>				
Datuk Azzat bin Kamaludin	5,000	–	–	5,000
<u>Al-Hadharah Boustead REIT</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	–	200,000	–	200,000
<u>UAC Berhad</u>				
Raja Dato' Seri Aman bin Raja Haji Ahmad	2,500	–	–	2,500

DIRECTORS' INTERESTS (continued)

Related Companies	NUMBER OF ORDINARY SHARES OF 50 SEN EACH			
	At 1.1.2007	Bought	Sold	At 31.12.2007
<u>Boustead Holdings Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	10,492,800	24,000,000	12,797,800	21,695,000

The Company	NUMBER OF WARRANTS 2000/2010			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Tan Sri Dato' Lodin bin Wok Kamaruddin	1,500	–	–	1,500
Raja Dato' Seri Aman bin Raja Haji Ahmad	9,250	–	–	9,250
Datuk Azzat bin Kamaludin	22,500	–	22,500	–

Each of the above Warrants 2000/2010 of the Company (previously known as "AFFIN Warrants 2000/2005") entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the AFFIN Warrants 2000/2010 was to expire on 7 July 2005. During the financial year 2005, AFFIN Warrants 2000/2005 was extended for another five years and will expire on 7 July 2010 ("AFFIN Warrants 2000/2010").

The Company	OPTIONS OVER ORDINARY SHARES OF RM1 EACH				
	At 1.1.2007	Granted	Exercised	Expired	At 31.12.2007
Tan Sri Dato' Lodin bin Wok Kamaruddin	800,000**	–	–	–	800,000
Raja Dato' Seri Aman bin Raja Haji Ahmad	150,000***	–	–	–	150,000

Related Company

Boustead Petroleum Sdn Bhd

Tan Sri Dato' Lodin bin Wok Kamaruddin	–	4,137,500#	4,137,500	–	–
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\*\* This option was granted by the Company under its Employee Share Option Scheme at the option price of RM1.41 per share and has expired on 13 February 2008.

\*\*\* This option was granted by the Company under its Employee Share Option Scheme at the option price of RM1.00 per share and has expired on 13 February 2008.

# This is the 2-year option (extended period) granted by Boustead Holdings Berhad ("BHB") to acquire existing ordinary shares of RM1.00 each up to five percent (5%) of the enlarged issued and paid-up capital of Boustead Petroleum Sdn Bhd from BHB at RM1.149 per share. The option was exercised in full on 26 December 2007.

Related Company	OPTIONS OVER ORDINARY SHARES OF 50 SEN EACH				
	At 1.1.2007	Granted	Exercised	Expired	At 31.12.2007
<u>Boustead Holdings Berhad</u>					
Tan Sri Dato' Lodin bin Wok Kamaruddin	–	29,912,699@	24,000,000	–	5,912,699

@ This is an option granted by Lembaga Tabung Angkatan Tentera ("LTAT") to acquire 29,912,699 Boustead Holdings Berhad shares from LTAT at RM1.70 per share, expiring on 14 November 2008.

Other than the above, the directors in office at end of the financial year did not have any other interest in the shares, warrants and options over shares in the Company or its related companies during the financial year.

## DIRECTORS' REPORT (CONTINUED)

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts and financing; and
- (b) to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written-down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amounts written-off for bad debts and financing or the amount of allowances for doubtful debts and financing in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 45 and 51 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

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

**SUBSEQUENT EVENTS**

There were no material events subsequent to the balance sheet date that require disclosure or adjustment to the financial statements.

**ULTIMATE HOLDING CORPORATE BODY**

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 February 2008.

**TAN SRI DATO' LODIN BIN WOK KAMARUDDIN**  
DIRECTOR

**MAJ. GEN. (R) DATO' MOHAMED ISA BIN CHE KAK**  
DIRECTOR

Kuala Lumpur  
29 February 2008

# BALANCE SHEETS

31 December 2007

	Note	GROUP		COMPANY	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Cash and short-term funds	2	8,386,113	7,734,134	238,213	95,016
Deposits and placements with banks and other financial institutions	3	721,548	326,482	230,000	3,484
Securities held-for-trading	4	280,326	533,805	-	-
Securities available-for-sale	5	5,868,465	5,245,310	-	-
Securities held-to-maturity	6	443,307	1,065,972	-	-
Loans, advances and financing	7	17,277,639	17,356,971	-	-
Statutory deposits with Bank Negara Malaysia	8	841,647	820,755	-	-
Investment in subsidiaries	9	-	-	3,807,617	3,523,400
Amount due from subsidiaries	10	-	-	-	45,731
Investment in jointly controlled entity	11	97,330	107,913	111,180	111,180
Investment in associate	12	109,976	98,342	10,597	10,597
Trade debtors	13	855,363	401,651	-	-
Other assets	14	470,044	223,319	1,201	846
Taxation recoverable		72,834	104,196	35,350	38,003
Deferred tax assets	24	32,871	87,430	-	161
Property, plant and equipment	15	226,159	228,750	1,245	1,257
Land held for sale	16	92,835	100,814	-	-
Intangible assets	17	1,036,929	1,048,148	-	-
<b>TOTAL ASSETS</b>		<b>36,813,386</b>	<b>35,483,992</b>	<b>4,435,403</b>	<b>3,829,675</b>
LIABILITIES AND EQUITY					
Deposits from customers	18	25,558,739	25,688,093	-	-
Deposits and placements of banks and other financial institutions	19	4,079,074	1,351,527	-	-
Obligation on securities sold under repurchase agreements		-	1,760,313	-	-
Bills and acceptances payable		126,697	281,177	-	-
Trade creditors	20	844,160	369,678	-	-
Recourse obligation on loans sold to Cagamas Berhad	21	361,510	637,758	-	-
Other liabilities	22	676,595	727,693	9,176	14,023
Amount due to subsidiaries	23	-	-	798,715	714,078
Provision for taxation		25,317	5,457	-	-
Deferred tax liabilities	24	4,316	22,809	219	-
Borrowings	25	900,000	1,162,644	400,000	653,530
<b>TOTAL LIABILITIES</b>		<b>32,576,408</b>	<b>32,007,149</b>	<b>1,208,110</b>	<b>1,381,631</b>

## BALANCE SHEETS (CONTINUED)

31 December 2007

	Note	GROUP		COMPANY	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
EQUITY					
Share capital	26	1,486,981	1,252,913	1,486,981	1,252,913
Share premium		1,397,183	1,077,424	1,397,183	1,077,424
Reserves	27	1,352,814	1,146,506	343,129	117,707
TOTAL EQUITY		4,236,978	3,476,843	3,227,293	2,448,044
TOTAL LIABILITIES AND EQUITY		36,813,386	35,483,992	4,435,403	3,829,675
COMMITMENTS AND CONTINGENCIES	41(c)	19,416,143	17,846,701	–	–

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.



# INCOME STATEMENTS

For the Financial Year ended 31 December 2007

	Note	GROUP		COMPANY	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<b>Revenue</b>	28	<b>2,184,873</b>	1,988,029	<b>421,587</b>	69,274
Interest income	29	<b>1,631,078</b>	1,530,054	<b>7,023</b>	4,498
Interest expenses	30	<b>(953,322)</b>	(886,402)	-	-
Net interest income		<b>677,756</b>	643,652	<b>7,023</b>	4,498
Islamic banking income	31	<b>129,226</b>	104,646	-	-
Other operating income	32	<b>806,982</b> <b>333,817</b>	748,298 339,511	<b>7,023</b> <b>414,576</b>	4,498 64,768
Other operating expenses	33	<b>1,140,799</b> <b>(588,411)</b>	1,087,809 (512,058)	<b>421,599</b> <b>(6,858)</b>	69,266 (7,564)
Operating profit before loan and financing loss and provision		<b>552,388</b>	575,751	<b>414,741</b>	61,702
Allowances for losses on loans, advances and financing	35	<b>(137,881)</b>	(149,355)	-	-
Impairment losses	36	<b>(39,489)</b>	(91,516)	<b>(5,784)</b>	-
Transfer from profit equalisation reserve		<b>501</b>	5,206	-	-
Operating profit		<b>375,519</b>	340,086	<b>408,957</b>	61,702
Finance cost	37	<b>(29,439)</b>	(39,669)	<b>(29,439)</b>	(38,984)
Share of results of jointly controlled entity		<b>(10,583)</b>	(3,267)	-	-
Share of results of associate		<b>17,474</b>	17,261	-	-
Profit before taxation and zakat		<b>352,971</b>	314,411	<b>379,518</b>	22,718
Taxation	38	<b>(98,848)</b>	(83,661)	<b>(104,473)</b>	(6,775)
Zakat		<b>(2,350)</b>	(3,832)	-	-
Net profit for the financial year attributable to equity holders of the Company		<b>251,773</b>	226,918	<b>275,045</b>	15,943
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	39	<b>19.11</b>	18.48		
- Fully diluted	39	<b>18.99</b>	18.29		

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2007

GROUP	Note	Attributable to Equity Holders of the Company						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2007		1,252,913	1,077,424	410,230	13,043	-	723,233	3,476,843
Net change in fair value of securities available-for-sale		-	-	-	4,310	-	-	4,310
Deferred tax on revaluation of securities available-for-sale		-	-	-	(152)	-	-	(152)
Income and expense recognised directly in equity		-	-	-	4,158	-	-	4,158
Net profit for the financial year		-	-	-	-	-	251,773	251,773
Total recognised income and expense for the financial year		-	-	-	4,158	-	251,773	255,931
Issue of share capital:-								
- pursuant to the exercise of Employee Share Option Scheme	26	40,865	15,614	-	-	-	-	56,479
- pursuant to the exercise of Warrants 1997/2007		1	3	-	-	-	-	4
- pursuant to placement of new ordinary shares to The Bank of East Asia, Limited ("BEA")		193,202	305,259	-	-	-	-	498,461
Share issue expenses on placement of shares to BEA		-	(1,117)	-	-	-	-	(1,117)
Transfer to statutory reserves		-	-	123,982	-	-	(123,982)	-
Dividends paid	40	-	-	-	-	-	(49,623)	(49,623)
At 31 December 2007		1,486,981	1,397,183	534,212	17,201	-	801,401	4,236,978

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Financial Year ended 31 December 2007

GROUP	Note	Attributable to Equity Holders of the Company						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2006		1,211,388	1,063,541	364,669	(11,490)	944	577,380	3,206,432
Net change in fair value of securities available-for-sale		-	-	-	31,704	-	-	31,704
Deferred tax on revaluation of securities available-for-sale		-	-	-	(7,171)	-	-	(7,171)
Income and expense recognised directly in equity		-	-	-	24,533	-	-	24,533
Net profit for the financial year		-	-	-	-	-	226,918	226,918
Total recognised income and expense for the financial year		-	-	-	24,533	-	226,918	251,451
Issue of share capital:-								
- pursuant to the exercise of Employee Share Option Scheme	26	41,525	13,883	-	-	-	-	55,408
Transfer to statutory reserves		-	-	125,869	-	-	(125,869)	-
Transfer of statutory reserve to retained profits upon cessation of the discount house operations of a subsidiary		-	-	(80,308)	-	-	80,308	-
Reversal/Realisation of asset revaluation reserve		-	-	-	-	(944)	-	(944)
Dividends paid	40	-	-	-	-	-	(35,504)	(35,504)
At 31 December 2006		1,252,913	1,077,424	410,230	13,043	-	723,233	3,476,843

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 December 2007

COMPANY	Note	Non-Distributable Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2007		1,252,913	1,077,424	117,707	2,448,044
Total recognised income and expense for the financial year					
- Net profit for the financial year		-	-	275,045	275,045
Issue of share capital:-					
- pursuant to the exercise of Employee Share Option Scheme	26	40,865	15,614	-	56,479
- pursuant to the exercise of Warrants 1997/2007		1	3	-	4
- pursuant to placement of new ordinary shares to The Bank of East Asia, Limited ("BEA")		193,202	305,259	-	498,461
Share issue expenses on placement of shares to BEA		-	(1,117)	-	(1,117)
Dividends paid	40	-	-	(49,623)	(49,623)
<b>At 31 December 2007</b>		<b>1,486,981</b>	<b>1,397,183</b>	<b>343,129</b>	<b>3,227,293</b>
At 1 January 2006		1,211,388	1,063,541	137,268	2,412,197
Total recognised income and expense for the financial year					
- Net profit for the financial year		-	-	15,943	15,943
Issue of share capital:-					
- pursuant to the exercise of Employee Share Option Scheme	26	41,525	13,883	-	55,408
Dividends paid	40	-	-	(35,504)	(35,504)
<b>At 31 December 2006</b>		<b>1,252,913</b>	<b>1,077,424</b>	<b>117,707</b>	<b>2,448,044</b>

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	352,971	314,411
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gain on disposal/redemption of securities		
- securities held-for-trading	(7,129)	(3,950)
- securities available-for-sale	(31,509)	(9,153)
- securities held-to-maturity	(6,726)	(9,427)
Allowance for/(write-back) of impairment loss		
- securities available-for-sale	27,682	26,805
- securities held-to-maturity	11,845	64,743
- property, plant and equipment	(38)	(32)
Interest income from securities		
- securities available-for-sale	(135,422)	(125,724)
- securities held-to-maturity	(38,228)	(49,281)
Dividend income from securities		
- securities available-for-sale	(581)	(377)
- securities held-to-maturity	(3,508)	(2,197)
Amortisation of premium net of accretion of discount		
- securities available-for-sale	8,187	523
- securities held-to-maturity	(63,610)	(69,272)
Unrealised (gain)/loss on revaluation		
- securities held-for-trading	(9,823)	(48,451)
- derivatives	(199)	5,591
Allowance for/(write-back) of bad and doubtful debts and financing		
- loans, advances and financing	404,299	253,629
- trade debtors	(364)	(424)
- other debtors	(661)	3,846
Bad debts written-off	4,136	4,557
Gain on disposal of property, plant and equipment	(2,684)	(3,668)
Property, plant and equipment written-off	1,215	2,329
Intangible assets written-off	473	171
Depreciation on property, plant and equipment	26,493	28,092
Amortisation of intangible assets	16,476	14,796
Amortisation of prepaid lease payments	271	273
Provision for amounts recoverable from Danaharta	(39)	(1,398)
Share of results of jointly controlled entity	10,583	3,267
Share of results of associate	(17,474)	(17,261)
Transfer from profit equalisation reserve	(501)	(5,206)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	546,135	377,212

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**  
For the Financial Year ended 31 December 2007

	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>INCREASE/(DECREASE) IN OPERATING ACTIVITIES</b>		
<i>(Increase)/decrease in operating assets:-</i>		
Deposits and placements with banks and other financial institutions	(395,066)	(2,560)
Securities held-for-trading	(10,066)	819,043
Loans, advances and financing	(329,103)	(641,948)
Statutory deposits with Bank Negara Malaysia	(20,892)	(155,040)
Trade debtors	(453,348)	(264,164)
Other assets	(241,649)	(11,593)
Land held for sale	7,979	(11,534)
<i>Increase/(decrease) in operating liabilities:-</i>		
Deposits from customers	(129,354)	4,223,549
Deposits and placements of banks and other financial institutions	2,727,547	177,257
Bills and acceptances payable	(154,480)	(199,397)
Trade creditors	474,482	252,821
Recourse obligation on loans sold to Cagamas Berhad	(276,248)	(603,402)
Obligation on securities sold under repurchase agreements	(1,760,313)	283,424
Other liabilities	(68,504)	(78,064)
Cash (used in)/generated from operations	(82,880)	4,165,604
Tax and zakat paid	(54,200)	(18,708)
Tax refund	36,696	53,965
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(100,384)</b>	<b>4,200,861</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net purchase of securities available-for-sale	(270,911)	(271,730)
Net disposal of securities held-to-maturity	609,359	455,888
Proceeds from disposal of property, plant and equipment	7,502	7,224
Proceeds from disposal of prepaid lease payments	228	703
Purchase of property, plant and equipment	(33,314)	(29,350)
Purchase of intangible assets	(2,314)	(15,310)
Dividends received from associate	5,840	2,880
Expenses incurred on acquisition of additional interests in a subsidiary	-	(510)
Capital injection into a jointly controlled entity	-	(111,180)
Interest received from securities		
- securities available-for-sale	135,422	125,724
- securities held-to-maturity	38,228	49,281
Dividend received from securities		
- securities available-for-sale	581	377
- securities held-to-maturity	3,508	2,197
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>494,129</b>	<b>216,194</b>



**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**  
For the Financial Year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(262,644)	(60,817)
Dividends paid to shareholders of the Company	(49,623)	(35,504)
Proceeds from issue of shares pursuant to the exercise of Employee Share Option Scheme and Warrants	56,483	55,408
Proceeds from placement of new ordinary shares	498,461	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>242,677</u>	<u>(40,913)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	636,422	4,376,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,702,346	3,326,204
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>8,338,768</u>	<u>7,702,346</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	8,386,113	7,734,134
Adjustment for money held in trust on behalf of clients and remisiers	(47,345)	(31,788)
Closing cash and cash equivalent	<u>8,338,768</u>	<u>7,702,346</u>

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.

# COMPANY CASH FLOW STATEMENT

For the Financial Year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	379,518	22,718
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	(406,560)	(59,018)
Gross dividend from associate	(8,000)	(4,000)
Depreciation of property, plant and equipment	197	152
Property, plant and equipment written-off	8	105
(Gain)/loss on disposal of property, plant and equipment	(1)	8
Gain on disposal of a subsidiary	-	(1,735)
Impairment loss on investment in subsidiary	5,784	-
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(29,054)	(41,770)
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:-</i>		
Deposits and placements with banks and other financial institutions	(226,516)	(3,095)
Other assets	(5,941)	6,189
<i>Increase/(decrease) in operating liabilities:-</i>		
Other creditors	(4,847)	5,141
Cash used in operations	(266,358)	(33,535)
Tax refund	14,878	9,692
NET CASH USED IN OPERATING ACTIVITIES	(251,480)	(23,843)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from subsidiaries	365	42,493
Dividend received from associate	5,840	2,880
Net cash movement in amount due to subsidiaries	136,873	72,796
Proceed from disposal of a subsidiary	-	13,741
Proceed from disposal of property, plant and equipment	17	23
Capital injection into a jointly controlled entity	-	(111,180)
Capital injection into a subsidiary	-	(800)
Expenses on acquisition of additional interest in a subsidiary	-	(510)
Purchase of property, plant and equipment	(209)	(1,013)
NET CASH GENERATED FROM INVESTING ACTIVITIES	142,886	18,430

## COMPANY CASH FLOW STATEMENT (CONTINUED)

For the Financial Year ended 31 December 2007

	2007 RM'000	2006 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(253,530)	(40,000)
Dividends paid to shareholders of the Company	(49,623)	(35,504)
Proceeds from issue of shares pursuant to the exercise of Employee Share Option Scheme and Warrants	56,483	55,408
Proceeds from placement of new ordinary shares	498,461	–
	<hr/>	<hr/>
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	251,791	(20,096)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	143,197	(25,509)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	95,016	120,525
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	238,213	95,016
	<hr/>	<hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	238,213	95,016
	<hr/>	<hr/>

The accounting policies on pages 55 to 69 and the notes on pages 70 to 166 form an integral part of these financial statements.

# SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

For the Financial Year ended 31 December 2007

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

## 1 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines, Syariah requirements and the provisions of the Companies Act, 1965.

The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the MASB Approved Accounting Standards for Entities Other Than Private Entities requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires directors to exercise judgement in the process of applying the Group's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from these estimates.

### (a) Standards and amendments to published standards that are applicable to the Group and are effective

The new accounting standards and amendments to published standards effective for the Group's and the Company's financial periods beginning 1 January 2007 are as follows:-

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The Group has also adopted the following Technical Release effective for the Group's financial year ended 31 December 2007:-

- TR i - 1 Accounting for Zakat on Business

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards. A summary of the impact of the new accounting standards and amendments to published standards on the financial statements of the Group is set out in Note 51.

### (b) Standards, amendments and interpretations to existing standards that are effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:-

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). This standard is not relevant to the Group's operations as the Group does not carry out exploration for and evaluation of mineral resources.
- Amendment to FRS 119 Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The amendment to FRS 119 has no impact to the financial statements of the Group as the Group does not have any defined benefit plans for its employees other than termination benefits.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 1 BASIS OF PREPARATION (continued)

#### (c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial period beginning on or after 1 January 2008 or later periods, of which the Group has not early adopted, are as follows:-

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. This amendment has no impact to the financial statements of the Group as the Group does not have investment in foreign operations.
- FRS 112 Income Taxes (effective for accounting period beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group and the Company will apply this standard from financial periods beginning on 1 January 2008.
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by the Malaysian Accounting Standards Board). The Group will apply this standard when effective. The Group has applied the transitional provision in FRS 139, which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group.

Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:-

- FRS 107 Cash Flow Statements
- FRS 118 Revenue
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets

The Group will apply these standards from financial periods beginning on 1 January 2008. The adoption of these standards and amendments will not have any significant impact on the results of the Group.

#### (d) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's financial period beginning on or after 1 January 2008 or later periods, but are not relevant for the Group's operations:-

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation or a change in the discount rate.
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with liability or equity classification of financial instruments, which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with accounting by a contributor for its interests arising from decommissioning funds. This interpretation has no impact to the financial statements of the Group as the Group does not have any interest in such funds.



## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 1 BASIS OF PREPARATION (continued)

#### (d) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)

- IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007). This interpretation provides guidance on the recognition, in the financial statements of the producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment.
- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007). This interpretation provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.
- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods and services.

### 2 ECONOMIC ENTITIES IN THE GROUP

The consolidated financial statements include the financial statements of the Company, subsidiaries, jointly controlled entities and associates, made up to the end of the financial year.

#### a) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 2 ECONOMIC ENTITIES IN THE GROUP (continued)

#### b) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of the post-acquisition profits or losses of the jointly controlled entities are recognised in the income statement, and its share of post-acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in jointly controlled entities are recognised in the income statement.

For incremental interest in a jointly controlled entity, the date of acquisition is purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

#### c) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using equity method of accounting as described in Note 2 (b) above.

In the Company's financial statements, the investments in subsidiaries, jointly controlled entity and associate are stated at cost less impairment losses. At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

### 3 INTANGIBLE ASSETS

#### Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of subsidiaries are included in the balance sheet as intangible assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that the goodwill may be impaired. The amount retained in the consolidated financial statements is stated at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the respective subsidiaries, representing the cash-generating units ("CGUs") of the Group for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the synergies of the business combination in which goodwill arose.

Goodwill on acquisition of jointly controlled entities and associates are included in investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balances.

#### Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are three to five years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and appropriate portion of relevant overhead.

### 4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 6 SECURITIES

The Group classified its securities portfolio into securities held-for-trading, securities available-for-sale and securities held-to-maturity. Classification of the securities is determined at initial recognition.

Securities are initially recognised at fair value. Securities are derecognised when the rights to receive cash flows from the securities have expired or where the Group has transferred substantially all risks and rewards of ownership.

Subsequent measurement for each type of securities is as follows:-

#### Securities held-for-trading

Securities are classified as held-for-trading if they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or they are part of the portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Securities held-for-trading are stated at fair value. Any unrealised gains or losses arising from the change in fair value or arising from sale of such securities are recognised in the income statement.

#### Securities available-for-sale

Securities available-for-sale are non-derivative financial assets that are either designated in this category or not classified as securities held-for-trading or securities held-to-maturity.

These securities are initially recognised at fair value. Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

Impairment of securities available-for-sale is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities have not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

Impairment losses recognised in the income statement for investments in equity instruments shall not be reversed.

#### Securities held-to-maturity

Securities held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, as well as those instruments allowed by Bank Negara Malaysia ("BNM"). In accordance with Guidelines on Financial Reporting for Licensed Institutions ("Revised BNM/GP8") issued by BNM on 5 October 2004, the following instruments may be classified as securities held-to-maturity and measured at cost:

- i) equity securities held as investment in organisations which are set up for socio-economic reasons; and
- ii) equity instruments received as a result of loan restructuring or loan conversion, where there is no quoted market price in an active market and whose fair value cannot be reliably measured.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 6 SECURITIES (continued)

#### Securities held-to-maturity (continued)

Securities held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

Any sale or reclassification of a significant amount of securities held-to-maturity before maturity during the current financial year or last two preceding financial years will "taint" the entire category and result in the remaining securities held-to-maturity being reclassified to available-for-sale. However, the "tainting" rules will not apply under the conditions stated in revised BNM/GP8.

Impairment of securities held-to-maturity is assessed when there is an evidence of impairment.

#### i) *Securities carried at amortised cost*

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

#### ii) *Securities carried at cost*

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

### 7 TRADE DEBTORS

Trade debtors are recognised when there is a contractual right to receive cash or other financial assets from other entities. Trade debtors are stated initially at cost and subsequently stated at cost less allowance for bad and doubtful debts.

### 8 INCOME TAX

#### Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits for the financial year.

#### Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 8 INCOME TAX (continued)

#### Deferred tax (continued)

Deferred tax is recognised on temporary differences principally arising from depreciation of property, plant and equipment, amortisation of intangible assets, general allowance for loans, advances and financing, unrealised gains/(losses) on revaluation of securities, forex and derivatives, provision for other liabilities and unused tax losses carried forward.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax related to fair value re-measurement of securities available-for-sale, which are charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

### 9 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Leasehold land is amortised in equal instalments over the period of the respective leases that range from 60 to 999 years. Other property, plant and equipment are depreciated on the straight line basis to write-off the cost of the assets or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:-

Buildings on freehold land	50 years
Leasehold land and buildings	Over the remaining lease period
Renovation and leasehold premises	5 to 10 years or the period of the lease, whichever is greater
Furniture and equipment	3 to 10 years
Computer equipment and software	4 to 10 years
Motor vehicles	5 years

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement.



## 10 LEASES

### Accounting by lessee:-

#### (i) *Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

#### (ii) *Operating leases*

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

The land and buildings elements of a leasehold land and buildings are considered separately for the purpose of lease classification. The minimum lease payments (including any lump-sum upfront payments) are allocated between the land and buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

During the financial year, the Group has adopted FRS 117 Leases that requires the lease of land which is previously classified as finance lease and recognised within its property, plant and equipment, to be reclassified as operating lease, with the unamortised carrying amount classified as prepaid lease payments in 'Other assets'.

This change in accounting policy has been applied retrospectively in accordance with FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors and the impact of the financial results and position of the Group is disclosed in Note 51.

## 11 FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

## 12 LAND HELD FOR SALE

Land held for sale is stated at cost less accumulated impairment losses. Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the land is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 13 REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which were purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which have been sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to re-purchase the securities are reflected as a liability on the balance sheet.

The difference between the sale and repurchase price as well as the purchase and resale price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

### 14 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent bills and acceptances rediscounted and outstanding in the market.

### 15 EMPLOYEE BENEFITS

#### Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

#### Share-based compensation

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 16 OTHER PROVISIONS

Provisions are recognised by the Group when all of the following conditions have been met:

- (i) the Group has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

### 17 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of the net assets method.

### 18 PROFIT EQUALISATION RESERVE

Profit Equalisation Reserve ("PER") refers to the amount appropriated out of the total gross income to mitigate the undesirable fluctuation of income and to maintain a certain level of return to depositors. The amount is provided based on BNM's circular on 'The Framework of The Rate of Return'. PER is shared by both the depositors and the Group and hence, can be appropriated from and written-back to the total gross income in deriving the distributable income. PER is reflected under 'Other Liabilities' on the balance sheet.

### 19 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends is established.

### 20 COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments contain both liability and equity elements. The Company's compound financial instruments comprise of Warrants 1997/2007 and Warrants 2000/2010. The Group has taken advantage of the exemption provided by FRS 132 "Financial Instruments: Disclosure and Presentation" not to reclassify compound instruments issued by the Group prior to 31 December 2006 into liability and equity components. These instruments continued to be classified according to their legal form.

### 21 INCOME RECOGNITION

#### Interest/financing income

Interest income and financing income are recognised on an accrual basis. Income on hire-purchase and lease receivables is recognised using the "sum-of-digits" method, so as to produce a constant periodic rate of interest.

Islamic financing income is recognised on an accrual basis in accordance with the Syariah principles and Guidelines on Financial Reporting for Licensed Islamic Banks ("BNM/GP8-i"). Al-Ijarah Thumma Al-Bai' ("AITAB") financing income recognised using the "sum-of-digit" method over the lease terms, whilst Al-Bai' Bithaman Ajil ("BBA"), Al-Murabahah, Al-Istisnaa and Bai' Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit at the inception of such contracts.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 21 INCOME RECOGNITION (continued)

#### Interest/financing income (continued)

Customers' accounts are generally classified as non-performing where repayments are in arrears for three (3) months or more from the first day of default for loans and financing and overdrafts, and after three months or more from maturity date for trade bills, bankers' acceptances and trust receipts and other instruments of similar nature.

Interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account in the balance sheet. Thereafter, interest earned on non-performing loans shall be recognised as income on a cash basis.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned and accrued discount and amortisation of premium on these securities.

#### Fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income based on time apportionment.

Corporate advisory fees, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income where progress payments are agreed, by reference to the stage of completion.

Brokerage income is recognised on execution of contract. Interest income and other fee income are recognised on an accrual basis. Where debtors are classified as doubtful or bad, interest income is suspended until it is realised on a cash basis as laid down in the Rules of the Bursa Malaysia Securities Berhad.

Dividends from securities portfolio are recognised when received.

Dividends from subsidiaries and associates are included in the income statement when the shareholders' right to receive payment is established.

Fees and other profits from Islamic banking business are recognised on an accrual basis in accordance with the principles of Syariah.

### 22 INTEREST, FINANCING AND RELATED EXPENSES RECOGNITION

Interest expense and attributable profit on deposits and borrowings are expensed as incurred.

Dealers' handling fees on hire purchase are charged to income statement in the period when they are incurred in accordance with BNM's circular dated 8 August 2003.

### 23 ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING

Loans, advances and financing are recognised when cash is advanced to the borrowers.

Specific allowances are made for doubtful debts and financing based on management's evaluation of the collectibility and the status of the loans, advances and financing and their related underlying securities.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 23 ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING (continued)

A general allowance based on a percentage of the loans, advances and financing portfolio is also made to cover possible losses which are not specifically identified.

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

The policy on allowances for losses on loan, advances and financing is in general more stringent than that laid down in BNM Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debt ("BNM/GP3").

### 24 CURRENCY TRANSLATION

#### Functional and presentation currency

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

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

### 25 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for designated derivatives provided certain criteria are met.

## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 25 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until disposal of the equity security.

#### b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale that is hedged take place).

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

#### c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement.

### 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.



## SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

For the Financial Year ended 31 December 2007

### 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118.

### 27 FINANCIAL LIABILITIES

All non-trading financial liabilities are initially recognised at fair value, being the consideration received at transaction date.

### 28 SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

### 29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) *Allowance for losses on loans, advances and financing*

The Group makes allowance for losses based on assessment of recoverability. Whilst management's judgement is guided by the relevant BNM Guidelines, judgment is made about the future and other key factors in respect of the recovery of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

#### (b) *Estimated impairment of goodwill*

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking, hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, insurance-broking, fund and unit trusts management. The principal activity of the jointly controlled entity is underwriting of life insurance business while the associate is principally engaged in general insurance business.

The number of employees in the Group and the Company as at 31 December 2007 was 3,644 (2006: 3,777) and 22 (2006: 22) employees respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

## 2 CASH AND SHORT-TERM FUNDS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and bank balances with banks and other financial institutions	170,761	159,553	45	407
Money at call and deposits placements maturing within one month	8,215,352	7,574,581	238,168	94,609
	<b>8,386,113</b>	<b>7,734,134</b>	<b>238,213</b>	<b>95,016</b>

Included in cash and short-term funds of the Group is RM47,345,000 (2006: RM31,788,000) related to accounts maintained for clients and remisers.

## 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Licensed banks	721,548	28,882	230,000	3,484
Bank Negara Malaysia	–	297,600	–	–
	<b>721,548</b>	<b>326,482</b>	<b>230,000</b>	<b>3,484</b>

Included in deposits placed with banks and other financial institutions for the previous financial year was RM1,500,000 pledged with a licensed bank as security for an overdraft facility granted to the stock-broking subsidiary company.

## 4 SECURITIES HELD-FOR-TRADING

<u>At fair value</u>	GROUP	
	2007 RM'000	2006 RM'000
Malaysian Government Securities	89,188	–
Quoted securities		
- Shares	1,721	–
- Warrants	383	341
Unquoted securities		
- Private Debt Securities	189,034	533,464
Total securities held-for-trading	<b>280,326</b>	<b>533,805</b>

## 5 SECURITIES AVAILABLE-FOR-SALE

<u>At fair value</u>	GROUP	
	2007 RM'000	2006 RM'000
Malaysian Government Securities	216,750	839,030
Malaysian Government Treasury Bills	284,194	102,957
Malaysian Government Investment Issuance	161,071	260,196
Cagamas Bonds	454,211	516,326
Khazanah Bonds	230,535	698,036
Bankers' Acceptance and Islamic Acceptance Bills	495,009	540,334
Bank Negara Malaysia Notes	1,070,385	123,713
Negotiable Instruments of Deposit	1,139,190	664,985
Negotiable Islamic Debt Certificate	–	148,000
	<b>4,051,345</b>	<b>3,893,577</b>
Quoted securities		
- Shares	185,315	239,093
- Private Debt Securities	3,474	29,820
Unquoted securities		
- Private Debt Securities	1,769,044	1,210,186
- Irredeemable Convertible Unsecured Loan Stock	4,031	–
	<b>6,013,209</b>	<b>5,372,676</b>
Allowance for impairment of securities	<b>(144,744)</b>	<b>(127,366)</b>
Total securities available-for-sale	<b>5,868,465</b>	<b>5,245,310</b>
Included in securities available-for-sale are the following:-		
(i) Amount pledged to third parties in relation to securities sold under repurchase agreements	–	1,744,105
(ii) Amount pledged in accordance with the Trust Deed of the subordinated term loans as disclosed in Note 25	551,000	507,996

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 6 SECURITIES HELD-TO-MATURITY

	GROUP	
	2007 RM'000	2006 RM'000
<b><u>At amortised cost</u></b>		
Malaysian Government Securities	–	331,968
Cagamas Bonds	–	60,089
Khazanah Bonds	–	8,274
	–	400,331
Quoted securities		
- Private Debt Securities	38,123	54,675
- Irredeemable Convertible Unsecured Loan Stock	–	15,000
Unquoted securities		
- Private Debt Securities	476,446	668,540
	514,569	1,138,546
<b><u>At cost</u></b>		
Unquoted securities		
- Shares	56,384	64,615
- Private Debt Securities	16	16
	570,969	1,203,177
Allowance for impairment of securities	(127,662)	(137,205)
Total securities held-to-maturity	443,307	1,065,972

**7 LOANS, ADVANCES AND FINANCING**

<b>BY TYPE</b>	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	1,880,246	1,900,549
Term loans/financing		
- Housing loans/financing	4,063,704	3,818,732
- Syndicated term loans/financing	766,835	535,728
- Hire purchase receivables	6,982,975	6,686,710
- Other term loans/financing	4,728,047	4,273,817
Bills receivables	95,596	97,752
Trust receipts	452,453	473,237
Claims on customers under acceptance credits	731,869	719,865
Staff loans/financing (of which RM Nil to directors)	161,437	170,229
Credit/charge cards	115,291	95,084
Revolving credit	1,460,173	1,665,137
Factoring	17,102	17,444
	<b>21,455,728</b>	<b>20,454,284</b>
Less: Unearned interest and income	<b>(2,596,133)</b>	<b>(1,863,854)</b>
Gross loans, advances and financing	<b>18,859,595</b>	<b>18,590,430</b>
Less: Allowance for bad and doubtful debts and financing		
- General	(274,585)	(267,970)
- Specific	(1,307,371)	(965,489)
Total net loans, advances and financing	<b>17,277,639</b>	<b>17,356,971</b>

Included in term loans are housing loans amounting to RM116,284,000 (2006 : RM136,653,000) and hire purchase portfolio amounting to RM245,226,000 (2006 : RM501,105,000) sold to Cagamas Berhad with recourse.

<b>BY TYPE OF CUSTOMER</b>	<b>GROUP</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-banking institutions		
- Stock-broking companies	410	25,415
- Others	157,121	478,823
Domestic business enterprises		
- Small medium enterprise	5,354,466	4,666,017
- Others	3,867,732	3,922,470
Government and statutory bodies	53,499	124,886
Individuals	9,136,558	8,863,393
Other domestic entities	100,738	201,185
Foreign entities	189,071	308,241
	<b>18,859,595</b>	<b>18,590,430</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 7 LOANS, ADVANCES AND FINANCING (continued)

	GROUP	
	2007 RM'000	2006 RM'000
<b><u>BY INTEREST/PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
- Housing loans/financing	478,049	486,555
- Hire purchase receivables	5,911,029	5,650,066
- Other fixed rate loans/financing	2,278,659	4,301,780
Variable rate		
- BLR plus	9,024,593	6,469,537
- Cost-plus	1,140,888	1,635,145
- Other variable rates	26,377	47,347
	<b>18,859,595</b>	<b>18,590,430</b>
<b><u>BY ECONOMIC PURPOSE</u></b>		
Construction	580,620	151,345
Purchase of landed property of which		
- Residential	3,262,510	3,106,837
- Non-residential	962,186	554,966
Purchase of securities	540,788	479,833
Purchase of transport vehicles	5,948,323	5,366,188
Fixed assets other than land and building	188,402	63,411
Personal use	648,834	565,748
Credit card	115,292	95,084
Consumer durable	4,461	6,317
Working capital	3,641,865	1,440,613
Others	2,966,314	6,760,088
	<b>18,859,595</b>	<b>18,590,430</b>
<b><u>NON-PERFORMING LOANS/FINANCING</u></b>		
<b><u>Movements in non-performing loans, advances and financing</u></b>		
Balance at beginning of financial year	3,089,706	3,290,501
Classified as non-performing during the financial year	811,185	947,097
Reclassified as performing during the financial year	(633,024)	(463,928)
Loans/financing converted to securities	(25,723)	-
Amount recovered	(503,257)	(506,821)
Amount written-off	(47,497)	(177,143)
Reclassification arising from the merger between AFFIN Securities Sdn Bhd and AFFIN Investment Bank Berhad	147	-
Balance at end of financial year	2,691,537	3,089,706
Less: Specific allowance	(1,307,371)	(965,489)
<b>Net non-performing loans, advances and financing ("NPL")</b>	<b>1,384,166</b>	<b>2,124,217</b>
Net NPL as a % of gross loans, advances and financing less specific allowance	<b>7.89%</b>	<b>12.05%</b>

## 7 LOANS, ADVANCES AND FINANCING (continued)

<u>NON-PERFORMING LOANS/FINANCING (continued)</u>	GROUP	
	2007 RM'000	2006 RM'000
<b><u>Non-performing by economic purpose</u></b>		
Construction	43,633	73,793
Purchase of landed property of which		
- Residential	546,544	625,936
- Non-residential	138,123	155,761
Purchase of securities	125,541	131,557
Purchase of transport vehicles	269,636	259,165
Fixed assets other than land and building	21,726	-
Personal use	42,911	53,569
Credit card	3,236	3,144
Consumer durable	768	1,233
Working capital	372,631	235,122
Others	1,126,788	1,550,426
	<b>2,691,537</b>	<b>3,089,706</b>

<u>Movement in allowance for bad and doubtful debts and financing</u>	GROUP	
	2007 RM'000	2006 RM'000
<b>General allowance</b>		
Balance at beginning of financial year	267,970	327,039
Allowance made during the financial year	6,586	-
Amount written-back during the financial year	-	(59,069)
Reclassification arising from the merger between AFFIN Securities Sdn Bhd and AFFIN Investment Bank Berhad	29	-
Balance at end of financial year	<b>274,585</b>	<b>267,970</b>
As % of gross loans, advances and financing less specific allowance	<b>1.56%</b>	<b>1.52%</b>

<b>Specific allowance</b>		
Balance at beginning of financial year	965,489	828,846
Allowance made during the financial year	529,604	388,729
Transferred to allowance for impairment value of securities	(10,012)	-
Amount written-off	(46,279)	(176,055)
Amount written-back in respect of recoveries	(131,553)	(76,031)
Reclassification arising from the merger between AFFIN Securities Sdn Bhd and AFFIN Investment Bank Berhad	122	-
Balance at end of financial year	<b>1,307,371</b>	<b>965,489</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 8 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised-1994), the amounts of which are determined as a set percentages of total eligible liabilities.

### 9 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 RM'000	2006 RM'000
Unquoted shares at cost	3,813,401	3,523,400
Allowance for impairment losses	(5,784)	–
	<b>3,807,617</b>	<b>3,523,400</b>

The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2007 %	2006 %
AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,439,285	100	100
AFFIN Islamic Bank Bhd	Provision of Islamic banking services	160,000	100	100
ABB Trustee Berhad #	Trustee management services	500	100	100
PAB Properties Sdn Bhd	Property management services	8,000	100	100
ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100
ABB Nominee (Asing) Sdn Bhd	Share nominee services	@	100	100
AFFIN Factors Sdn Bhd	Factoring credit facilities	10,000	100	100
PAB Property Development Sdn Bhd	Dormant	250	100	100
PAB Property Management Services Sdn Bhd	Dormant	30	100	100
ABB Venture Capital Sdn Bhd	Dormant	100	100	100
AFFIN Futures Sdn Bhd	Dormant	13,000	100	100
ABB IT & Services Sdn Bhd	Dormant	2,000	100	100
BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100
BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100
BSN Merchant Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100

## 9 INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries, all of which are incorporated in Malaysia, are as follows:- (continued)

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2007 %	2006 %
BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	100	100
AFFIN Recoveries Berhad	Dormant	125,000	100	100
ABB Asset Management (M) Berhad	Dormant	@	100	100
AFFIN-ACF Nominees (Tempatan) Sdn Bhd	Dormant	25	100	100
AFFIN Investment Bank Berhad	Provision of investment banking services	222,246	100	100
AFFIN Fund Management Berhad (formerly known as AFFIN Fund Management Sdn Bhd)	Asset management	12,000	100	100
AFFIN Trust Management Berhad	Dormant	5,000	100	100
Merchant Nominees (Tempatan) Sdn Bhd	Nominee services	10	100	100
AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services for local investors	@	100	100
AFFIN Nominees (Asing) Sdn Bhd	Nominees services for foreign investors	@	100	100
Classic Precision Sdn Bhd	Investment holding	10	67	67
Merchant Nominees (Asing) Sdn Bhd	Dormant	@	100	100
AFFIN-ADB Sdn Bhd (formerly known as AFFIN Discount Berhad)*	Investment holding	70,000	100	100
AFFIN Moneybrokers Sdn Bhd*	Money-broking	1,000	100	100
AFFIN Capital Sdn Bhd (formerly known as AFFIN Capital Holdings Sdn Bhd)	Investment holding	100,000	100	100
AFFIN-ACF Holdings Sdn Bhd*	Investment holding	338,382	100	100
AFFIN Insurance Brokers Sdn Bhd	Insurance broking	1,000	100	100

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 9 INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries, all of which are incorporated in Malaysia, are as follows:- (continued)

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2007 %	2006 %
AFFIN-ACF Capital Sdn Bhd*	Dormant	498,589	100	100
AFFIN Leasing Sdn Bhd	In members' voluntary winding-up	-	-	-
AFFIN.Com Sdn Bhd	In members' voluntary winding-up	-	-	-
AFFIN-ACF Management Services Sdn Bhd	In members' voluntary winding-up	-	-	-
AFFIN Securities Sdn Bhd	In members' voluntary winding-up	-	-	-
Amsteel Equity Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	-	-
Amsteel Equity Nominees (Asing) Sdn Bhd	In members' voluntary winding-up	-	-	-

# 80% held by directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad

\* Subsidiaries audited by firms other than PricewaterhouseCoopers

@ Subsidiaries with issued and paid up share capital of RM2 each

### 10 AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2007 RM'000	2006 RM'000
Advances to subsidiary	-	9,250
Other receivables	-	36,481
	-	45,731

The advances to subsidiary for the previous financial year of RM9,250,000 was unsecured and carried interest at 7.75%. The amount was fully settled during the financial year.

Included in other receivables for the previous financial year was cash-in-transit of RM35.0 million, representing the consideration for the discount house license received by a subsidiary on 29 December 2006 but remitted to the Company on 3 January 2007.

11 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares at cost	111,180	111,180	111,180	111,180
Group's share of post acquisition retained losses	(13,850)	(3,267)	–	–
	<b>97,330</b>	107,913	<b>111,180</b>	111,180

	GROUP	
	2007 RM'000	2006 RM'000
Group's share of net assets	<b>97,330</b>	107,913

The summarised financial information of jointly controlled entity are as follows:-

Revenue	41,472	55,797
Loss after tax	20,751	6,407
Total assets	425,027	440,961
Total liabilities	227,853	229,368
Capital commitment for property, plant and equipment	525	200

The jointly controlled entity was incorporated in Malaysia on 15 February 2006 and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2007 %	2006 %
AXA AFFIN Life Insurance Berhad*	Underwriting of life insurance business	218,000	51	51

\* Shareholding held directly by the Company

According to the terms of the joint venture agreement with National Mutual International Pty Ltd, a wholly-owned subsidiary of AXA Asia Pacific Holdings Limited, the Group does not have control over the operational and financial policies of AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") even though it is 51% owned by the Group. This is because any major strategic operational and financial decisions relating to the activities of AXA AFFIN Life will require unanimous consent by both joint venture parties. Hence, the Group's interest in AXA AFFIN Life has been treated as investment in jointly controlled entity, which have been accounted for in the consolidated financial statements using the equity method of accounting.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 12 INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares at cost	10,597	10,597	10,597	10,597
Group's share of post acquisition retained profits	99,379	87,745	–	–
	<b>109,976</b>	<b>98,342</b>	<b>10,597</b>	<b>10,597</b>

	GROUP	
	2007 RM'000	2006 RM'000
Group's share of net assets	110,502	98,868
Discount on acquisition	(526)	(526)
	<b>109,976</b>	<b>98,342</b>

The summarised financial information of associate are as follows:-

Revenue	292,709	278,894
Profit after tax	43,685	43,152
Total assets	425,027	508,188
Total liabilities	227,853	259,487
Capital commitment for property, plant and equipment	1,949	415

The associate was incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2007 %	2006 %
AXA AFFIN General Insurance Berhad*	Underwriting general insurance business	100,000	40	40

\* Shareholding held directly by the Company

### 13 TRADE DEBTORS

Trade debtors mainly arose from the stock-broking subsidiary and represents amount outstanding in purchase contracts, net of provisions for doubtful debts of RM5,370,000 (2006: RM5,885,000).

## 14 OTHER ASSETS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Clearing accounts	213,757	–	–	–
Money order and postal order purchased	1,915	3,212	–	–
Accrued income/interest receivable	66,608	34,292	682	214
Premium receivable	1,431	2,024	–	–
Prepaid lease payments (a)	17,690	18,189	–	–
Foreclosed properties (b)	74,347	85,068	–	–
Derivative assets (c)	44,148	22,314	–	–
Other debtors, deposits and prepayments (d)	50,148	58,220	519	632
	<b>470,044</b>	<b>223,319</b>	<b>1,201</b>	<b>846</b>

	GROUP	
	2007 RM'000	2006 RM'000
(a) <u>Prepaid lease payments</u>		
<u>Cost</u>		
At 1 January		
As previously reported	–	–
Reclassified from property, plant and equipment (Note 15)	21,058	21,763
As restated	21,058	21,763
Disposal	(253)	(705)
At 31 December	<b>20,805</b>	<b>21,058</b>
<u>Accumulated Amortisation</u>		
At 1 January		
As previously stated	–	–
Reclassified from property, plant and equipment (Note 15)	2,869	2,598
As restated	2,869	2,598
Amortisation during the year	271	273
Disposals	(25)	(2)
At 31 December	<b>3,115</b>	<b>2,869</b>
<u>Net book value</u>		
At 31 December	<b>17,690</b>	<b>18,189</b>





NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

15 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Leasehold land RM'000		Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
				Long-term RM'000	Short-term RM'000						
<b>2007</b>											
<b>Cost</b>											
At 1 January	22,570	70,636	103,307	6,418	1,297	101,977	55,375	7,743	11,993	183,079	564,395
As previously stated	-	-	(13,343)	(6,418)	(1,297)	-	-	-	-	-	(21,058)
Reclassified to prepaid lease payments (Note 14(a))											
As restated	22,570	70,636	89,964	-	-	101,977	55,375	7,743	11,993	183,079	543,337
- Additions	-	1,069	-	-	-	7,087	6,195	1,297	6,521	11,144	33,313
- Disposals	(250)	(3,452)	(953)	-	-	(1,316)	(1,051)	(1,823)	-	(1,511)	(10,356)
- Write-off	-	-	(83)	-	-	(7,642)	(5,661)	-	-	(51,887)	(65,273)
- Reclassification	-	-	-	-	-	-	(22)	-	(3,196)	(393)	(3,611)
At 31 December	22,320	68,253	88,928	-	-	100,106	54,836	7,217	15,318	140,432	497,410
<b>Accumulated Depreciation</b>											
At 1 January	-	13,732	15,191	728	551	86,815	36,183	4,623	-	150,162	307,985
As previously stated	-	-	(1,590)	(728)	(551)	-	-	-	-	-	(2,869)
Reclassified to prepaid lease payments (Note 14(a))											
As restated	-	13,732	13,601	-	-	86,815	36,183	4,623	-	150,162	305,116
- Charge for the financial year	-	1,417	954	-	-	5,239	5,009	1,136	-	12,738	26,493
- Disposals	-	(650)	(245)	-	-	(1,314)	(895)	(1,064)	-	(1,370)	(5,538)
- Write-off	-	-	(10)	-	-	(7,385)	(4,867)	-	-	(51,796)	(64,058)
- Reclassification	-	-	-	-	-	-	2	-	-	(197)	(195)
At 31 December	-	14,499	14,300	-	-	83,355	35,432	4,695	-	109,537	261,818

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

15 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Freehold land RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Leasehold land Long-term RM'000	Leasehold land Short-term RM'000	Renovations equipment RM'000	Furniture and RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2007 (continued)											
<b>Impairment Losses</b>											
At 1 January	-	-	-	-	-	-	-	38	9,433	-	9,471
- Charge for the financial year	-	-	-	-	-	-	-	-	-	-	-
- Disposals	-	-	-	-	-	-	-	-	-	-	-
- Write-back	-	-	-	-	-	-	-	(38)	-	-	(38)
At 31 December	-	-	-	-	-	-	-	-	9,433	-	9,433

**Net book value**

At 31 December	22,320	53,754	74,628	-	-	16,751	19,404	2,522	5,885	30,895	226,159
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The impairment of property, plant and equipment mainly arose from the replacement of computer equipment (including capital work-in-progress).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

15 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP	Freehold land RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Leasehold land Long-term RM'000	Leasehold land Short-term RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
<b>2006</b>											
<b>Cost</b>											
At 1 January	22,955	71,996	104,359	7,123	1,297	89,791	74,584	9,601	12,644	172,771	567,121
As previously stated Reclassified to prepaid lease payments (Note 14(a))	-	-	(13,343)	(7,123)	(1,297)	-	-	-	-	-	(21,763)
As restated	22,955	71,996	91,016	-	-	89,791	74,584	9,601	12,644	172,771	545,358
- Additions	-	-	-	-	-	11,611	5,149	854	4,438	7,298	29,350
- Disposals	(385)	(1,694)	(1,050)	-	-	(119)	(1,746)	(2,454)	-	(392)	(7,840)
- Write-off	-	-	-	-	-	(10,314)	(11,138)	(8)	-	(2,071)	(23,531)
- Reclassification	-	334	(2)	-	-	11,008	(11,474)	(250)	(5,089)	5,473	-
At 31 December	22,570	70,636	89,964	-	-	101,977	55,375	7,743	11,993	183,079	543,337
<b>Accumulated Depreciation</b>											
At 1 January	-	-	-	-	-	-	-	-	-	-	-
As previously stated Reclassified to prepaid lease payments (Note 14(a))	-	12,338	13,166	503	696	83,050	51,525	5,759	-	138,071	305,108
As restated	-	12,338	11,767	-	-	83,050	51,525	5,759	-	138,071	302,510
- Charge for the financial year	-	1,200	1,875	-	-	4,647	4,802	1,225	-	14,343	28,092
- Disposals	-	(140)	(40)	-	-	(119)	(1,245)	(2,353)	-	(387)	(4,284)
- Write-off	-	-	-	-	-	(9,953)	(9,302)	(7)	-	(1,940)	(21,202)
- Reclassification	-	334	(1)	-	-	9,190	(9,597)	(1)	-	75	-
At 31 December	-	13,732	13,601	-	-	86,815	36,183	4,623	-	150,162	305,116

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

31 December 2007

**15 PROPERTY, PLANT AND EQUIPMENT (continued)**

GROUP	Freehold land RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Leasehold land Long-term RM'000	Leasehold land Short-term RM'000	Renovations equipment RM'000	Furniture and RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2006 (continued)											
<b>Impairment Losses</b>											
At 1 January	-	-	-	-	-	-	70	-	9,433	-	9,503
- Charge for the financial year	-	-	-	-	-	-	-	38	-	-	38
- Write-back	-	-	-	-	-	-	(70)	-	-	-	(70)
At 31 December	-	-	-	-	-	-	-	38	9,433	-	9,471

**Net book value**

At 31 December	22,570	56,904	76,363	-	-	15,162	19,192	3,082	2,560	32,917	228,750
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The impairment of property, plant and equipment mainly arose from the replacement of computer equipment (including capital work-in-progress).

## 15 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Renovations RM'000	Furniture and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<b>2007</b>					
<b>Cost</b>					
At 1 January	540	525	147	303	1,515
- Additions	-	27	28	154	209
- Disposals	-	(25)	-	(53)	(78)
- Write-off	(4)	(5)	-	-	(9)
At 31 December	536	522	175	404	1,637
<b>Accumulated Depreciation</b>					
At 1 January	28	68	57	105	258
- Charge for the financial year	53	57	29	57	196
- Disposals	-	(9)	-	(53)	(62)
- Write-off	-	-	-	-	-
At 31 December	81	116	86	109	392
<b>Net book value</b>					
At 31 December	455	406	89	295	1,245
<b>2006</b>					
<b>Cost</b>					
At 1 January	128	152	79	352	711
- Additions	539	406	68	-	1,013
- Disposals	-	-	-	(49)	(49)
- Write-off	(127)	(33)	-	-	(160)
At 31 December	540	525	147	303	1,515
<b>Accumulated Depreciation</b>					
At 1 January	38	47	33	61	179
- Charge for the financial year	34	32	24	62	152
- Disposals	-	-	-	(18)	(18)
- Write-off	(44)	(11)	-	-	(55)
At 31 December	28	68	57	105	258
<b>Net book value</b>					
At 31 December	512	457	90	198	1,257

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 16 LAND HELD FOR SALE

	GROUP	
	2007 RM'000	2006 RM'000
Freehold land	92,835	100,814

The freehold land was received by a subsidiary, namely AFFIN Investment Bank Berhad ("AIBB") and other lenders as part settlement of the financial obligation of a borrower under a syndicated loan which had defaulted, in accordance with the terms of the settlement agreement. The land was subsequently transferred to Classic Precision Sdn Bhd ("Classic Precision"), a 66.89% owned subsidiary of AIBB, which will hold the land for sale. The consideration for the land is reflected as 'Amount due to other shareholders of a subsidiary' of RM30.4 million (2006: RM33.1 million) in Note 22 to the financial statements.

### 17 INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Computer Software RM'000	Total RM'000
<b>2007</b>			
<b>Cost</b>			
At 1 January	989,741	120,118	1,109,859
Reclassification	–	3,611	3,611
Additions	–	2,314	2,314
Write-off	–	(36,273)	(36,273)
At 31 December	989,741	89,770	1,079,511
<b>Accumulated Amortisation</b>			
At 1 January	–	61,550	61,550
Reclassification	–	195	195
Charge for the financial year	–	16,476	16,476
Write-off	–	(35,800)	(35,800)
At 31 December	–	42,421	42,421
<b>Impairment Losses</b>			
At 1 January	–	161	161
Charge for the financial year	–	–	–
At 31 December	–	161	161
<b>Net book value</b>			
At 31 December	989,741	47,188	1,036,929

## 17 INTANGIBLE ASSETS (continued)

GROUP	Goodwill RM'000	Computer Software RM'000	Total RM'000
<b>2006</b>			
<b>Cost</b>			
At 1 January	989,260	105,467	1,094,727
Goodwill arising from acquisition of remaining equity interest in a subsidiary	510	–	510
Reversal of goodwill upon disposal of a subsidiary	(29)	–	(29)
Additions	–	15,310	15,310
Write-off	–	(659)	(659)
At 31 December	989,741	120,118	1,109,859
<b>Accumulated Amortisation</b>			
At 1 January	–	47,271	47,271
Charge for the financial year	–	14,796	14,796
Write-off	–	(517)	(517)
At 31 December	–	61,550	61,550
<b>Impairment Losses</b>			
At 1 January	–	161	161
Charge for the financial year	–	–	–
	–	161	161
<b>Net book value</b>			
At 31 December	989,741	58,407	1,048,148

**Goodwill**

The carrying amount of goodwill have been allocated to the respective subsidiaries (based on their principal activities), representing the cash-generating units ("CGUs") of the Group as follows:-

	Carrying amount RM'000	Discount rate %
Commercial banking and hire purchase business	829,478	12.2
Investment banking	97,346	13.3
Stock-broking	51,797	23.3
Money-broking	11,120	13.2
	989,741	



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 17 INTANGIBLE ASSETS (continued)

#### Goodwill (continued)

Goodwill is allocated to the Group's CGU which are expected to benefit from the synergies of the acquisitions. For annual impairment purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on the financial budgets of the respective subsidiaries covering a period of 5 years. The cash flow beyond the fifth year are projected based on the assumption that the Year 5 operating cash flow will be generated by the respective CGUs perpetually. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable, at the date of assessment of the respective CGUs.

Impairment is recognised in the income statement when the carrying amount of the CGU exceeds its recoverable amount.

### 18 DEPOSITS FROM CUSTOMERS

	GROUP	
	2007 RM'000	2006 RM'000
<b>By type of deposits</b>		
Money market deposit	1,424,795	–
Demand deposits	3,658,132	3,310,680
Savings deposits	903,325	869,449
Fixed deposits	15,860,651	17,290,828
Negotiable instruments of deposit ("NID")	2,488,265	4,103,749
Special investment deposits	1,223,571	113,387
	<b>25,558,739</b>	<b>25,688,093</b>
Maturity structure of fixed deposits and NID are as follows:-		
Due within six months	14,332,480	19,606,037
Six months to one year	3,014,233	1,721,273
One year to three years	998,355	62,764
Three years to five years	3,848	4,503
	<b>18,348,916</b>	<b>21,394,577</b>
<b>By type of customers</b>		
Government and statutory bodies	5,605,041	3,830,618
Business enterprise	9,052,289	6,017,788
Individuals	3,317,576	3,350,313
Others	7,583,833	12,489,374
	<b>25,558,739</b>	<b>25,688,093</b>

**19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	GROUP	
	2007 RM'000	2006 RM'000
Licensed banks	538,420	713,470
Licensed investment banks	–	57,013
Bank Negara Malaysia	327,280	–
Other financial institutions	3,213,374	581,044
	<b>4,079,074</b>	<b>1,351,527</b>
Maturity structure of deposits are as follows:-		
Due within six months	<b>4,079,074</b>	<b>1,351,527</b>

**20 TRADE CREDITORS**

Trade creditors mainly arose from the stock-broking subsidiary and represents amount payable under outstanding sales contract.

**21 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD**

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from mortgages.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability in the balance sheet.

**22 OTHER LIABILITIES**

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation				
Funding Programmes	124,254	167,342	–	–
Amount due to other shareholders of a subsidiary (Note 16)	30,440	33,081	–	–
Interest payable	177,834	170,171	8,120	750
Margin and collateral deposits	38,723	24,314	–	–
Trust accounts for clients and remisiers	47,345	31,788	–	–
Clearing account	–	57,473	–	–
Defined contribution plan (a)	8,480	7,429	–	–
Accrued employee benefits (b)	1,577	1,802	52	77
Derivative liabilities (c)	25,899	27,119	–	–
Other creditors and accruals	215,813	204,980	1,004	13,196
Profit equalisation reserve	–	501	–	–
Provision for zakat	6,230	1,693	–	–
	<b>676,595</b>	<b>727,693</b>	<b>9,176</b>	<b>14,023</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 22 OTHER LIABILITIES (continued)

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period.

(c) Derivative liabilities

	GROUP	
	2007 RM'000	2006 RM'000
At fair value:-		
Foreign exchange derivatives		
- Currency options	318	-
- Currency forwards	7,422	22,305
- Currency swaps	14,214	-
Interest rate derivatives		
- Interest rate swap	3,945	4,814
- Exchange-traded interest rate futures	-	-
	25,899	27,119

### 23 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and has no fixed term of repayment.

### 24 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred tax relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	32,871	87,430	-	161
Deferred tax liabilities	(4,316)	(22,809)	(219)	-
	28,555	64,621	(219)	161

## 24 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of the financial year	64,621	156,022	161	–
(Charged)/credited to income statements (Note 38)	(35,914)	(84,230)	(380)	161
(Charged)/credited to equity	(152)	(7,171)	–	–
At end of the financial year	28,555	64,621	(219)	161

The movements in deferred tax assets and liabilities during the financial year are as follows:

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At beginning of the financial year	64,621	156,022	161	–
(Charged)/credited to income statements (Note 38)	(35,914)	(84,230)	(380)	161
- property, plant and equipment	(140)	1,199	(110)	(109)
- intangible assets	2,510	(5,029)	–	–
- tax losses	(44,944)	(49,503)	–	–
- general allowance on loans, advances and financing	705	(19,229)	–	–
- provision for other liabilities	(779)	(226)	(270)	270
- revaluation gain/(losses) on forex	(1,326)	5,352	–	–
- revaluation gain/(losses) on derivatives	(8,646)	4,653	–	–
- provision for diminution in value of securities	(22)	(22)	–	–
- unrealised (loss)/gain on securities	9,177	(13,013)	–	–
- amortisation of premium less accretion of discounts	1,366	(7,675)	–	–
- accumulated impairment loss on securities	4,167	760	–	–
- others	2,018	(1,497)	–	–
(Charged)/credited to equity	(152)	(7,171)	–	–
At end of the financial year	28,555	64,621	(219)	161

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 24 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Subject to income tax:-				
Deferred tax assets (before offsetting):-				
Property, plant and equipment	-	3	-	-
Intangible assets	19	-	-	-
Provision for other liabilities	5,616	6,395	-	270
General allowance on loans, advances and financing	73,406	72,701	-	-
Tax losses	-	44,944	-	-
Revaluation losses on forex	2	-	-	-
Revaluation losses on derivatives	336	1,662	-	-
Unrealised losses on securities	-	1	-	-
Provision for diminution in value of securities	570	592	-	-
Amortisation of premium less accretion of discounts	-	-	-	-
Accumulated impairment loss on securities	8,367	4,200	-	-
Investment fluctuation reserve	142	1	-	-
Others	197	199	-	-
	<b>88,655</b>	<b>130,698</b>	<b>-</b>	<b>270</b>
Offsetting	<b>(55,784)</b>	<b>(43,268)</b>	<b>-</b>	<b>(109)</b>
Deferred tax assets (after offsetting)	<b>32,871</b>	<b>87,430</b>	<b>-</b>	<b>161</b>
Deferred tax liabilities (before offsetting):-				
Property, plant and equipment	(10,067)	(9,930)	(219)	(109)
Intangible assets	(11,619)	(14,110)	-	-
Investment fluctuation reserve	(3,093)	(2,800)	-	-
Revaluation gain on forex	(15,742)	(7,094)	-	-
Unrealised gain on securities	(3,834)	(13,012)	-	-
Accretion of discounts less amortisation of premium	(11,070)	(12,436)	-	-
Others	(4,675)	(6,695)	-	-
	<b>(60,100)</b>	<b>(66,077)</b>	<b>(219)</b>	<b>(109)</b>
Offsetting	<b>55,784</b>	<b>43,268</b>	<b>-</b>	<b>109</b>
Deferred tax liabilities (after offsetting)	<b>(4,316)</b>	<b>(22,809)</b>	<b>(219)</b>	<b>-</b>

The amount of unused tax losses for which no deferred tax assets is recognised in the balance sheet are as follows:-

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax losses	109,220	172,264	-	-

## 25 BORROWINGS

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unsecured short-term borrowings				
- Bank overdraft (a)	-	9,114	-	-
- Term loan (b)	-	168,530	-	168,530
- Bank Guaranteed Medium Term Notes (c)	400,000	285,000	400,000	285,000
	400,000	462,644	400,000	453,530
Unsecured long-term borrowings				
- Bank Guaranteed Medium Term Notes (c)	-	200,000	-	200,000
- Subordinated term loan (d)	500,000	500,000	-	-
	500,000	700,000	-	200,000
Total borrowings	900,000	1,162,644	400,000	653,530

a) Bank overdrafts

The bank overdrafts carried interest rates ranging from 7.25% to 7.75% per annum.

b) Term loans

The unsecured term loans of the Group and the Company carried interest rates ranging from 4.5% to 5.5% per annum, repayable within 12 months at end of the financial year.

c) Bank Guaranteed Medium Term Notes ("BGMTNs")

- i) RM200 million (2006: RM285 million) of the outstanding BGMTNs were issued under a bank guaranteed Medium Term Notes ("MTN") issuance programme ("Programme") of up to RM525 million arranged by the Company in year 2005. The availability limit of the Programme had subsequently been reduced from RM525 million to RM285 million arising from the cancellation of the unutilised balance of RM240 million under the Programme in 2006. The Programme has a tenure of 5 years from the date of first issuance (i.e. 19 January 2005) and had been accorded an indicative long-term rating of AAA (bg) by Rating Agency Malaysia Berhad ("RAM").

The said BGMTNs of RM200 million (2006: RM285 million) were issued at a coupon rate of 4.1% (2006: 3.7%) for a tenure of one year, maturing on 23 January 2008. The Company had on 24 January 2008 fully redeemed the outstanding RM200 million BGMTNs under the Programme and thereafter decided to cancel the Programme due to non-requirement.

- ii) The other RM200 million of the outstanding BGMTNs were issued under another bank guaranteed Commercial Papers and/or Medium Term Notes ("CP/MTN") issuance Programme of up to RM300 million in nominal value arranged by the Company in year 2006. The CP/MTN Programme has a tenure of 7 years from the date of first issuance and had been accorded an indicative short-term rating of P1 (bg) and long-term rating of AAA (bg) by RAM in respect of the RM200 million portion of the Programme guaranteed by a bank. The RM200 million BGMTNs were issued on 11 July 2006 at a coupon rate of 4.7% per annum for a tenure of two years, maturing on 11 July 2008.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 25 BORROWINGS (continued)

#### d) Subordinated term loan

AFFIN Bank Berhad ("ABB") had on 31 December 2001 issued the subordinated Bonds 2002/2006 ("The Bonds") at a nominal value of RM500 million in multiples of RM1,000,000, which are subordinated to all other liabilities. The said Bond were constituted by Trust Deeds dated 28 December 2001. The said Bond were unsecured and redeemable in full on 31 December 2006, five years from the issue date.

On 31 December 2003, ABB restructured the Bonds into a new 10-year subordinated term loan of the same value, with a revised coupon rate. The principal terms and conditions of the subordinated term loan remain similar to the Bonds. The new subordinated term loan will have a prepayment option after the end of Year 5, giving ABB the right, subject to Bank Negara Malaysia approval, to repay the subordinated term loan after the end of Year 5.

The nominal value and coupon rate of the subordinated term loan, payable semi-annually are as follows:

Value	:	RM500 million
Coupon rate	:	7.30% per annum for a period of twenty months from the issue date, 6.80% per annum the next sixteen months, 6.25% per annum for the next twenty four months and thereafter the higher of 5 year Malaysian Government Securities interest rate plus 300 basis points or
		Year 6 6.75%
		Year 7 7.25%
		Year 8 7.75%
		Year 9 8.25%
		Year 10 8.75%

In respect of the subordinated term loan, ABB has undertaken to pledge its securities of RM10,000,000 every month beginning from one month after the issue date (31 January 2003) until the end of the third year after the issue date. These securities may only be used to fund the payment of any monies under the Trust Deed and/or the subordinated term loan which is due and unpaid.

### 26 SHARE CAPITAL

GROUP AND COMPANY	Number of ordinary share of RM1.00 each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised:-				
Ordinary shares of RM1 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid up:-				
Ordinary shares of RM1 each				
At 1 January	1,252,913	1,211,388	1,252,913	1,211,388
Issue of share capital pursuant to:				
- the exercise of Employee Share Option Scheme	40,865	41,525	40,865	41,525
- the exercise of Warrants 1997/2007	1	-	1	-
- placement of new ordinary shares to The Bank of East Asia, Limited (Note 45(b))	193,202	-	193,202	-
At 31 December	1,486,981	1,252,913	1,486,981	1,252,913



26 SHARE CAPITAL (continued)

a) Employee Share Option scheme

The Company implemented an Employee Share Option Scheme (“ESOS”) on 14 February 2003 for a period of five years, by offering 82,254,000 shares at a subscription price of RM1.00 per share to eligible employees in the Group, of which only 79,154,000 share options were accepted by the said eligible employees. The ESOS is governed by the by-laws which were approved by the shareholders in financial year 2003.

On 26 November 2004, the shareholders of the Company approved amendments to the by-laws to allow the Company to issue additional options up to maximum of 15% of the issued and paid-up share capital of the Company and extend the participation in the ESOS to eligible non-executive directors of the Group.

On 5 December 2005, the Company made a second offer of 81,510,000 shares to eligible employees in the Group at a subscription price of RM1.41 per share, of which only 81,240,000 share options were accepted by the said eligible employees.

The main features of the ESOS are as follows:-

- (i) The option is for a period of five years commencing from the date of first offer of the option and expiring on 13 February 2008. The option may be exercised in full or such lesser number of ordinary shares provided the number shall be in multiples of 1,000 shares.
- (ii) The option price shall be set at the weighted average market price of the shares for the five market days immediately preceding the date of offer, with a discount of not more than 10% of the weighted average market price or the par value of the share, whichever is higher.
- (iii) The maximum number of shares offered and allotted under the scheme shall not exceed in aggregate fifteen per centum of the issued ordinary share capital of the Company at any point of time during the duration of the ESOS.
- (iv) Only staff, executive directors of the Group and non-executive directors of the Group who on the date of allocation have been so appointed are eligible to participate in the ESOS. Executive directors are those involved in the day-to-day management and on the payroll of the Group and the Company.
- (v) Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.
- (vi) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Set out below are details of the outstanding options over ordinary shares of the Company granted to and accepted by the eligible employees under the ESOS:-

Grant Date	Expiry Date	Option price per Share	Number of options over ordinary shares of RM1.00 each			
			As at 1 January '000	Granted and accepted '000	Exercised '000	As at 31 December '000
<b>2007</b>						
14 Feb 03	13 Feb 08	RM1.00	10,702	–	2,782	7,920
05 Dec 05	13 Feb 08	RM1.41	47,380	–	38,083	9,297
			<b>58,082</b>	<b>–</b>	<b>40,865</b>	<b>17,217</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 26 SHARE CAPITAL (continued)

Set out below are details of the outstanding options over ordinary shares of the Company granted to and accepted by the eligible employees under the ESOS:- (continued)

Grant Date	Expiry Date	Option price per Share	Number of options over ordinary shares of RM1.00 each			
			As at 1 January '000	Granted and accepted '000	Exercised '000	As at 31 December '000
<b>2006</b>						
14 Feb 03	13 Feb 08	RM1.00	18,367	–	7,665	10,702
05 Dec 05	13 Feb 08	RM1.41	81,240	–	33,860	47,380
			99,607	–	41,525	58,082
					<b>2007</b>	<b>2006</b>
					<b>'000</b>	<b>'000</b>
Number of share options vested at balance sheet date					<b>17,217</b>	<b>58,082</b>

Details relating to options exercised during the financial year are as follows:-

Exercise Date	Fair value per share as at share issue date	Option price per share	Number of ordinary shares issued	
			2007 '000	2006 '000
3 Jan 2006 to 29 Dec 2006	RM1.54 - RM2.04	RM1.00	–	7,665
3 Jan 2006 to 29 Dec 2006	RM1.54 - RM2.04	RM1.41	–	33,860
2 Jan 2007 to 31 Dec 2007	RM1.81 - RM3.08	RM1.00	<b>2,782</b>	–
2 Jan 2007 to 31 Dec 2007	RM1.81 - RM3.08	RM1.41	<b>38,083</b>	–
			<b>40,865</b>	<b>41,525</b>
			<b>RM'000</b>	<b>RM'000</b>
Proceeds received on exercise of share options				
- Issue of ordinary shares of RM1.00 each at par			<b>2,782</b>	7,665
- Issue of ordinary shares of RM1.00 each at RM1.41 per share			<b>53,697</b>	47,743
			<b>56,479</b>	<b>55,408</b>
Fair value at exercise date of shares issued pursuant to the ESOS exercised			<b>99,766</b>	<b>71,687</b>

The fair value of shares issued on the exercise of options is the average of the last 5 market days' prices at which the Company's shares were traded on the Bursa Malaysia Securities Berhad prior to the exercise of the options.

26 SHARE CAPITAL (continued)

b) WARRANTS 1997/2007

On 19 September 1997, RM240,000,000 nominal amount of 2% 5-year redeemable bank guaranteed bonds with 54,403,401 detachable warrants ("AFFIN Warrants 1997/2002") were issued to the primary subscriber on a bought deal basis.

The rights to allotment of 54,403,401 AFFIN Warrants 1997/2002 were offered for sale by the primary subscriber at an offer price of RM1.13 per warrant on the basis of one warrant for every 10 ordinary shares held in the Company. The initial exercise price of AFFIN Warrants 1997/2002 was RM4.15.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrants 1997/2002 holders approved the extension of the exercise period of the warrants for a further 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1997/2002 to expire on 18 September 2007 ("AFFIN Warrants 1997/2007").

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1997/2007 were revised to RM3.74 and 61,258,223 respectively as required by the Deed Poll.

The movement of Warrants 1997/2007 during the financial year is as follows :-

	Number of AFFIN Warrants 1997/2007
At 1 January 2007	61,258,223
Exercised during the financial year	(1,126)
Expired during the financial year	(61,257,097)
	<hr/>
At 31 December 2007	-
	<hr/>

c) WARRANTS 2000/2010

On 8 July 2000, the Company issued 153,775,702 new warrants ("AFFIN Warrants 2000/2005") at no cost together with the right issue exercise on the basis of 1 new AFFIN Warrant 2000/2005 for every four ordinary shares held. The exercise price of AFFIN Warrants 2000/2005 was RM3.10 and was to expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrant 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplemental Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ("AFFIN Warrants 2000/2010"). The exercise price of the AFFIN Warrants 2000/2010 remain at RM3.10.

The movement of Warrants 2000/2010 during the financial year is as follows:-

	Number of AFFIN Warrants 2000/2010
At 1 January 2007/At 31 December 2007	153,775,702
	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 27 RESERVES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Distributable				
- Retained profits	801,401	723,233	343,129	117,707
Non-distributable				
- Statutory reserves	534,212	410,230	-	-
- Investment fluctuation reserves	17,201	13,043	-	-
	<b>1,352,814</b>	<b>1,146,506</b>	<b>343,129</b>	<b>117,707</b>

- (a) As at 31 December 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 2001 (subject to agreement with the tax authorities) to frank the payment of dividends out of its entire retained profits without incurring additional tax.
- (b) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.
- (c) Investment fluctuation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as securities available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

### 28 REVENUE

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Gross interest income (Note 29)	1,631,078	1,530,054	7,023	4,498
Other operating income:-				
Fee income	196,517	168,283	4	20
Investment income	55,386	65,793	-	1,735
Dividend income	4,155	2,586	414,560	63,018
Gains/(losses) from foreign exchange translations				
- realised	(8,176)	23,192	-	-
- unrealised	59,218	22,571	-	-
Miscellaneous operating income	6,655	11,343	-	3
	<b>313,755</b>	<b>293,768</b>	<b>414,564</b>	<b>64,776</b>

## 28 REVENUE (continued)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income from Islamic operations:-				
Income derived from investment of depositors' funds and others	227,404	148,775	-	-
Income derived from the investment of Islamic Banking Capital funds	12,636	15,432	-	-
	240,040	164,207	-	-
TOTAL OPERATING REVENUE	2,184,873	1,988,029	421,587	69,274

## 29 INTEREST INCOME

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	972,797	960,691	18	731
- Recoveries from NPLs	115,265	99,622	-	-
Money at call and deposits with financial institutions	250,732	177,074	7,005	3,767
Securities held-for-trading	24,847	30,688	-	-
Securities available-for-sale	129,867	125,017	-	-
Securities held-to-maturity	36,225	44,422	-	-
Interest rate derivatives	55,016	37,869	-	-
Others	193	30	-	-
	1,584,942	1,475,413	7,023	4,498
Amortisation of premium less accretion of discount	46,136	54,641	-	-
	1,631,078	1,530,054	7,023	4,498

## 30 INTEREST EXPENSES

	GROUP	
	2007 RM'000	2006 RM'000
Deposit and placements of banks and other financial institutions	73,461	42,532
Deposit from other customers	726,891	682,923
Subordinated term loan	31,280	34,000
Loans sold to Cagamas Berhad	20,352	39,976
Interest rate derivatives	67,255	35,751
Others	34,083	51,220
	953,322	886,402

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 31 ISLAMIC BANKING INCOME

	GROUP	
	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds	227,404	148,775
Less: Income attributable to depositors (after elimination of income attributable to conventional banking)	(110,814)	(59,561)
	<b>116,590</b>	89,214
Income derived from investment of shareholders' funds	12,636	15,432
	<b>129,226</b>	104,646

### 32 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fee income:-				
Fees on loans, advances and financing	562	1,609	-	-
Net brokerage	80,563	49,526	-	-
Portfolio management fees	5,777	2,066	-	-
Corporate advisory fees	6,434	11,132	-	-
Commission	20,287	19,769	-	-
Service charges and fees	53,547	56,459	-	-
Guarantee fees	21,081	20,769	-	-
Other fee income	8,266	6,953	4	20
	<b>196,517</b>	168,283	4	20
Investment income:-				
Gains arising from sale/redemption of securities				
- Held-for-trading	7,129	4,418	-	-
- Available-for-sale	31,509	9,090	-	-
- Held-to-maturity	6,726	9,427	-	-
Gain on disposal of a subsidiary	-	-	-	1,735
Unrealised gains/(losses) on revaluation of securities held-for-trading	9,823	48,449	-	-
Gains/(losses) on derivatives				
- realised	1,493	556	-	-
- unrealised	(1,294)	(6,147)	-	-
	<b>55,386</b>	65,793	-	1,735
Gross dividends				
- Securities held-for-trading	66	12	-	-
- Securities available-for-sale	581	377	-	-
- Securities held-to-maturity	3,508	2,197	-	-
- Subsidiaries	-	-	406,560	59,018
- Associate	-	-	8,000	4,000
	<b>4,155</b>	2,586	<b>414,560</b>	63,018

## 32 OTHER OPERATING INCOME (continued)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other income:-				
Foreign exchange gains/(losses)				
- realised	(8,176)	23,192	-	-
- unrealised	59,218	22,571	-	-
Rental income	1,038	322	-	-
Gain/(loss) on disposal of property, plant and equipment	2,684	3,668	1	(8)
Gain/(loss) on disposal of foreclosed properties	1,382	2,673	-	-
Proceeds from surrendering the discount house license	8,750	35,000	-	-
Other non-operating income	12,863	15,423	11	3
	<b>77,759</b>	<b>102,849</b>	<b>12</b>	<b>(5)</b>
Total other operating income	<b>333,817</b>	<b>339,511</b>	<b>414,576</b>	<b>64,768</b>

## 33 OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	242,418	221,421	1,983	1,850
Defined contribution plan	35,155	32,950	363	329
Termination benefits	9	7,600	-	-
Other personnel costs	32,261	28,722	106	108
	<b>309,843</b>	<b>290,693</b>	<b>2,452</b>	<b>2,287</b>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,006	2,782	-	-
Entertainment	2,998	2,213	-	-
Travelling and accommodation	3,480	3,352	-	-
Dealer's handling fees	27,987	26,495	-	-
Others	2,304	5,127	-	-
	<b>39,775</b>	<b>39,969</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 33 OTHER OPERATING EXPENSES (continued)

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<u>Establishment-related expenses</u>				
Rental of premises	24,120	24,530	605	496
Equipment rental	1,499	4,028	6	5
Repair and maintenance	21,679	20,722	46	–
Depreciation of property, plant and equipment	26,493	28,092	197	152
Amortisation of intangible assets	16,476	14,796	–	–
Lease rental - leasehold properties	271	273	–	–
Others	55,234	30,499	–	–
	<b>145,772</b>	<b>122,940</b>	<b>854</b>	<b>653</b>
<u>General and administrative expenses</u>				
Telecommunication expenses	7,066	7,686	31	28
Auditors' remuneration	1,499	1,481	191	181
Professional fees	13,776	8,231	337	315
Property, plant and equipment written-off	1,215	2,329	8	105
Intangible assets written-off	473	171	–	–
Diminution in value of foreclosed properties	11,836	21	–	–
Others	57,156	38,537	2,985	3,995
	<b>93,021</b>	<b>58,456</b>	<b>3,552</b>	<b>4,624</b>
Total other operating expenses	<b>588,411</b>	<b>512,058</b>	<b>6,858</b>	<b>7,564</b>

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (see Note 34)	1,066	894	582	454
Rental of premises	24,120	24,530	605	496
Hire of equipment	1,499	4,028	6	5
Auditors' remuneration:-				
(i) Statutory				
- Current year	1,193	1,050	142	137
- (Over)/under provision for previous year	(12)	88	(2)	–
(ii) Others	318	343	51	44
Depreciation of property, plant and equipment	26,493	28,092	197	152
Amortisation of intangible assets	16,476	14,796	–	–
Property, plant and equipment written-off	1,215	2,329	8	105
Intangible assets written-off	473	171	–	–

Termination benefits mainly comprise of the payment of employee under the Voluntary Separation Scheme ("VSS") by the banking subsidiaries. The VSS is carried out to optimise the resources and to remain competitive in the industry.

**34 DIRECTORS' REMUNERATION**

The directors of the Company in office during the year were as follows:-

Non-executive directors

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin  
 Raja Dato' Seri Aman bin Raja Hj Ahmad  
 Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak  
 Datuk Azzat bin Kamaludin  
 Dato' Mustafa bin Mohamad Ali

Executive director

Tan Sri Dato' Lodin bin Wok Kamaruddin

Tan Sri Dato' Lodin bin Wok Kamaruddin is the Managing Director of the Company while Raja Dato' Seri Aman bin Raja Hj Ahmad was the Chief Executive Officer of the commercial bank subsidiary until his resignation on 1 June 2003. Accordingly, they were granted options under the Company's Employee Share Option Scheme on the same terms and conditions as those employees of the Group (see Note 26).

The number of options granted to the directors under the ESOS are as follows:-

Grant Date	Expiry Date	Option price per Share	Number of options over ordinary shares of RM1.00 each			
			As at 1 January '000	Granted '000	Exercised '000	As at 31 December '000
<b>2007</b>						
<u>Tan Sri Dato' Lodin bin Wok Kamaruddin</u>						
05 Dec 05	13 Feb 08	RM1.41	800	-	-	800
<u>Raja Dato' Seri Aman bin Raja Hj Ahmad</u>						
14 Feb 03	13 Feb 08	RM1.00	150	-	-	150
			<b>950</b>	<b>-</b>	<b>-</b>	<b>950</b>
<b>2006</b>						
<u>Tan Sri Dato' Lodin bin Wok Kamaruddin</u>						
05 Dec 05	13 Feb 08	RM1.41	800	-	-	800
<u>Raja Dato' Seri Aman bin Raja Hj Ahmad</u>						
14 Feb 03	13 Feb 08	RM1.00	150	-	-	150
			<b>950</b>	<b>-</b>	<b>-</b>	<b>950</b>
					<b>2007</b>	<b>2006</b>
					<b>'000</b>	<b>'000</b>
Number of share options vested at balance sheet date					<b>950</b>	950

None of the options were exercised during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 34 DIRECTORS REMUNERATION (continued)

The aggregate amount of emoluments receivables by directors of the Company during the financial year were as follows:-

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-executive directors				
- fees	273	260	180	180
- other emoluments	315	235	199	145
- estimated money value of benefits-in-kind	18	18	18	18
Executive directors				
- fees	224	215	35	35
- other emoluments	236	166	150	76
Total directors' remuneration	<b>1,066</b>	894	<b>582</b>	454
Total directors' remuneration excluding estimated money value of benefits-in-kind	<b>1,048</b>	876	<b>564</b>	436

Other emoluments comprise mainly fixed allowances, EPF and meeting allowances paid by the Group and Company during the year. The other emoluments of the Group and the Company also include professional fees of RM118,050 (2006: RM52,973) and RM 42,050 (2006: RM Nil) respectively paid to a firm of which a director is a partner.

The number of directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

<u>Remuneration band:-</u>	GROUP			
	2007 Number of non-executive directors	Number of executive directors	2006 Number of non-executive directors	Number of executive directors
RM1 - RM50,000	1	-	1	-
RM50,001 - RM100,000	-	-	2	-
RM100,001 - RM150,000	2	-	-	-
RM150,001 - RM200,000	2	-	2	-
RM350,001 - RM400,000	-	-	-	1
RM450,001 - RM500,000	-	1	-	-

## 35 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	GROUP	
	2007 RM'000	2006 RM'000
Allowance for bad and doubtful debts and financing:-		
Specific allowance		
- made during the financial year	529,604	388,729
- written-back during the financial year	(131,891)	(76,031)
General allowance		
- made during the financial year	6,586	-
- written-back during the financial year	-	(59,069)
Bad debts		
- recovered	(269,490)	(110,855)
- written-off	4,136	4,557
Write-back of allowance made for amount recoverable from Danaharta (Write-back)/allowance for bad and doubtful debts	(39)	(1,398)
- trade debtors	(364)	(424)
- other debtors	(661)	3,846
	<b>137,881</b>	<b>149,355</b>

## 36 IMPAIRMENT LOSSES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Property, plant and equipment (Note 15)				
- Charge during the year	-	38	-	-
- Write-back	(38)	(70)	-	-
Allowance made for impairment loss				
- Securities available-for-sale	27,778	26,805	-	-
- Securities held-to-maturity	16,823	64,746	-	-
- Investment in a subsidiary	-	-	5,784	-
Write-back of allowance for impairment loss				
- Securities available-for-sale	(96)	-	-	-
- Securities held-to-maturity	(4,978)	(3)	-	-
	<b>39,489</b>	<b>91,516</b>	<b>5,784</b>	<b>-</b>

Allowance for impairment loss on securities available-for-sale and securities held-to-maturity were made by certain subsidiaries to write-down the carrying value of the securities to the recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 37 FINANCE COST

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Term loans	5,835	17,061	5,835	17,061
Bank overdrafts	–	635	–	–
Guarantee fee	5,869	6,408	5,869	6,808
Medium term notes	17,735	15,115	17,735	15,115
Commitment fees	–	450	–	–
	<b>29,439</b>	<b>39,669</b>	<b>29,439</b>	<b>38,984</b>

### 38 TAXATION

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian income tax:-				
- Current tax	61,865	1,653	104,062	6,936
- Deferred tax (Note 24)	35,914	84,230	380	(161)
	<b>97,779</b>	<b>85,883</b>	<b>104,442</b>	<b>6,775</b>
Over provision in prior years	1,069	(2,222)	31	–
	<b>98,848</b>	<b>83,661</b>	<b>104,473</b>	<b>6,775</b>

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:-

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Profit before tax	352,971	314,411	379,518	22,718
Statutory tax rate in Malaysia (27%)	95,302	88,035	102,470	6,361
Tax effect in respect of				
- change in tax rate	1,057	2,501	(12)	6
- non-allowable expenses	11,390	6,931	1,968	787
- non-taxable income	(13,341)	(17,042)	(81)	(487)
Effect of different tax rate	(361)	(44)	–	–
Utilisation of previously unrecognised tax losses	(2,230)	(654)	–	–
Recognition of deferred tax previously not recognised	96	(807)	97	108
Under/(over) provision in prior years	1,069	(2,222)	31	–
Unrecognised tax losses	5,419	5,847	–	–
Others	447	1,116	–	–
	<b>98,848</b>	<b>83,661</b>	<b>104,473</b>	<b>6,775</b>

38 TAXATION (continued)

	GROUP	
	2007 RM'000	2006 RM'000
Tax losses are analysed as follows:-		
Tax savings during the financial year arising from recognition of previously unrecognised tax losses	2,684	2,337

39 EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the parent of RM251,773,000 (2006: RM226,918,000) divided by the weighted average number of ordinary shares in issue of 1,317,481,000 (2006: 1,227,691,000) during the financial year.

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: share options granted to employees and warrants convertible into ordinary shares.

The share options is assumed to be converted into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purposes of computing the dilution. No adjustment is made to the net profit for the financial year for the share options calculation.

The conversion of warrants is considered dilutive when they would result in the issue of new ordinary shares for less than market value of the shares. As the current exercise price of the warrants is higher than the market value of the ordinary shares, there is no impact of dilution to the earnings per share. Hence, the warrants are not taken into the computation of diluted earnings per share.

	GROUP	
	2007 RM'000	2006 RM'000
Net profit attributable to equity holders of the parent	251,773	226,918
	'000	'000
Weighted average number of ordinary shares in issue	1,317,481	1,227,691
Adjustment for share options	8,603	13,186
Weighted average number of ordinary shares for diluted earnings per share	1,326,084	1,240,877

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 39 EARNINGS PER SHARE (continued)

	GROUP	
	2007	2006
Basic earnings per share (sen)	19.11	18.48
Diluted earnings per share (sen)	18.99	18.29
	'000	'000
Shares issued after the balance sheet date (until 14 February 2008) (2006: until 28 February 2007) arising from exercise of share options	7,386	10,845

### 40 DIVIDENDS

	GROUP AND COMPANY	
	2007 RM'000	2006 RM'000
In respect of the previous financial year:-		
Final dividend of 3.0 sen (2005: 2.0 sen) gross per share, less income tax at 27% (2005: 28%)	27,925	17,557
In respect of current financial year:-		
Interim dividend of 2.0 sen (2006: 2.0 sen) gross per share, less income tax at 27% (2006: 28%)	21,698	17,947
	49,623	35,504

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year ended 31 December 2007 of 3.0 sen per share less 26% income tax (2006: 3.0 sen less 27% income tax) amounting to RM33,175,000 (2006: RM27,925,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial statements when approved by shareholders.

### 41 COMMITMENTS AND CONTINGENCIES

	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) <u>Capital commitments</u>				
Property, plant and equipment:-				
Authorised capital expenditure contracted but not provided for	11,912	4,769	-	-
Capital expenditure approved by the Board but not contracted for	17,000	12,719	33	-
Others:-				
Capital expenditure approved by the Board but not contracted for	12	-	-	-
	28,924	17,488	33	-



41 COMMITMENTS AND CONTINGENCIES (continued)

(b) Lease commitments

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:-

YEAR	GROUP		COMPANY	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
2007	–	18,055	–	611
2008	18,051	18,019	611	611
2009	18,051	18,016	611	611
2010	18,051	18,016	611	611
2011	18,051	–	611	–

(c) Other commitments and contingencies

(i) In the normal course of the business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	GROUP					
	<----- 2007 ----->			<----- 2006 ----->		
	Principal Amount RM'000	Credit equivalent Amount* RM'000	Risk- Weighted Amount* RM'000	Principal Amount RM'000	Credit equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Direct credit substitutes	779,119	779,119	779,119	478,338	478,338	478,338
Transaction related contingent items	2,420,083	1,210,042	1,210,042	2,324,962	1,162,481	1,162,481
Short-term self-liquidating trade related contingencies	3,511,291	702,258	108,604	3,868,200	773,640	217,947
Obligation under underwriting commitments	283,000	141,500	141,500	444,024	225,024	225,024
Foreign exchange related contracts						
- less than one year	3,263,570	68,391	17,244	1,329,025	27,848	8,505
- one year to less than five year	389,739	33,789	12,600	401,401	41,574	20,787
Interest rate related contracts						
- less than one year	114,728	86	43	2,027,000	864	432
- one year to less than five year	352,478	9,144	4,572	249,962	4,155	1,725
- five year and above	25,075	1,739	870	90,150	4,657	2,328
Irrevocable commitments to extend credit:						
- maturity more than one year	3,205,735	1,602,868	1,575,004	2,486,068	1,243,034	1,208,967
- maturity less than one year	5,071,325	–	–	4,147,571	–	–
	<b>19,416,143</b>	<b>4,548,936</b>	<b>3,849,598</b>	<b>17,846,701</b>	<b>3,961,615</b>	<b>3,326,534</b>

\* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 41 COMMITMENTS AND CONTINGENCIES (continued)

#### (c) Other commitments and contingencies (continued)

##### Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following outlines the nature and terms of the most common types of derivatives used by the banking subsidiaries:-

##### Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency futures are typically exchange-traded agreements to buy or sell standard amounts of a specified currency at an agreed exchange rate on a standard future date.

Currency options give the buyer on payment of a premium the right, but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

##### Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with counterparties for a specified period without exchanging the underlying (or notional principal).

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is calculated by reference to the difference between the contracted rate and the market rate prevailing on the settlement date.

Swaptions give the buyer the right, but not the obligation, to enter an interest rate swap as either the payer or receiver of the fixed side of the swap.

## 41 COMMITMENTS AND CONTINGENCIES (continued)

(c) Other commitments and contingencies (continued)

The foreign exchange and interest related contracts of the Group are made up as follows:-

	GROUP					
	<----- 2007 ----->			<----- 2006 ----->		
	Principal Amount RM'000	Credit equivalent Amount* RM'000	Risk- Weighted Amount* RM'000	Principal Amount RM'000	Credit equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Foreign exchange contracts						
- forward and futures contracts	3,555,275	100,100	29,428	1,730,426	69,422	27,564
- option	98,034	2,080	416	-	-	-
Interest rate contracts						
- forward and futures contracts	65,000	-	-	1,662,000	-	-
- swaps	427,281	10,969	5,485	705,112	9,676	4,839

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which were not hedged and hence, exposed to market risks was RM19.2 million (2006: RM4.2 million), while the notional amount of interest rate contract was RM452.3 million (2006: RM505.1 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM102.2 million (2006: RM69.4 million) and RM11.0 million (2006: RM9.7 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

- (ii) Pursuant to clause 2.1.5 of the Acquisition of Business Agreement between the Company, AFFIN Bank Berhad ("ABB"), BSN Commercial Bank (Malaysia) Berhad ("BSNC") and Bank Simpanan Nasional ("BSN") in respect of the acquisition of certain assets and liabilities of BSNC by ABB, BSNC and BSN undertake to ABB that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business. For the debts not recoverable, BSNC undertakes to pay ABB within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the purchase price.

On 6 April 2001, ABB exercised the warranty and issued a letter of demand for RM101.6 million, equivalent to 30% of the original purchase price of RM338.9 million as a result of doubtful or bad debts arising during the year. Arising from the above, ABB is now required to reassign all the rights and benefits to the said bad or doubtful debts to BSNC or its nominee.

As at the date of the financial statements, ABB has yet to comply with this requirement. As the bad or doubtful debts would have been fully provided or written-off, the directors are of the opinion that there would not be any material financial impact on ABB and the Group.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 42 LITIGATION AGAINST THE GROUP

As at the reporting date, there is a lawsuit against the investment bank subsidiary, namely AFFIN Investment Bank Berhad ("AIBB") in respect of counter claims of approximately RM200.1 million and interest thereon until full settlement. As the directors are confident that they will be successful in winning the case, no provision has been made at this juncture.

There are various other legal suits against ABB in respect of claims and counter claims of approximately RM118.2 million (31 December 2006: RM85.9 million). Based on legal advice, the directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

### 43 CAPITAL ADEQUACY

The capital adequacy ratios in respect of the banking subsidiaries are as follows:-

	GROUP	
	2007 RM'000	2006 RM'000
<b>Tier 1 Capital</b>		
Share capital	1,661,531	1,501,938
Share premium	550,659	420,252
Retained profits	226,904	374,211
Statutory reserve	585,361	464,363
	<hr/>	<hr/>
	3,024,455	2,760,764
Less:-		
Goodwill	(190,384)	(137,323)
Deferred tax assets/(liabilities)	(40,119)	(61,207)
	<hr/>	<hr/>
Total Tier 1 capital (a)	2,793,952	2,562,234
	<hr/>	<hr/>
<b>Tier 2 Capital</b>		
Subordinated loans	500,000	500,000
General allowance for bad and doubtful debts and financing	274,295	267,656
	<hr/>	<hr/>
Total Tier 2 capital (b)	774,295	767,656
	<hr/>	<hr/>
Total capital (a) + (b)	3,568,247	3,329,890
Less:-		
Investment in subsidiaries	(53,229)	(53,229)
	<hr/>	<hr/>
Capital base	3,515,018	3,276,661
	<hr/>	<hr/>

## 43 CAPITAL ADEQUACY (continued)

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:-

	GROUP			
	2007		2006	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
0%	9,117,108	–	8,977,358	–
10%	–	–	184,951	18,495
20%	4,935,313	987,063	3,860,366	772,073
50%	2,721,033	1,360,517	2,639,779	1,319,890
100%	21,587,082	21,587,082	19,156,915	19,156,915
	<b>38,360,536</b>	<b>23,934,662</b>	<b>34,819,369</b>	<b>21,267,373</b>
Market risk	–	866,562	–	1,872,765
	<b>38,360,536</b>	<b>24,801,224</b>	<b>34,819,369</b>	<b>23,140,138</b>

	GROUP	
	2007 RM'000	2006 RM'000
<b>Before deducting proposed dividends:-</b>		
Core capital ratio	11.26%	11.07%
Risk capital weighted ratio	14.17%	14.16%
<b>After deducting proposed dividends:-</b>		
Core capital ratio	11.10%	11.07%
Risk capital weighted ratio	14.01%	14.16%

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier I capital and DTA is excluded from the calculation of risk - weighted assets.

The capital adequacy ratios of the Group as at 31 December 2007 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which become effective on 1 April 2005.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of business, the Group and the Company undertakes various transactions with its ultimate holding corporate body, subsidiaries, jointly controlled entity, associate, substantial shareholder and other related companies, which comprise subsidiaries and associated companies of Lembaga Tabung Angkatan Tentera ("LTAT Group").

The related parties that have transactions and relationship with the Group and the Company are as follows:-

<u>Related parties</u>	<u>Relationship</u>
Subsidiaries of the Company	As disclosed in Note 9
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body
Boustead Holdings Berhad	
Irat Hotels & Resorts Sdn Bhd	
IRAT Properties Sdn Bhd	
Johan Ceramics Berhad	
Pembinaan Perwira Harta Sdn Bhd	
Perbadanan Perwira Harta Malaysia	
Perwira Niaga Malaysia	
Perwira Plantations Sdn Bhd	
Perbadanan Hal Ehwal Bekas Angkatan Tentera ("Perhebat")	
Boustead Advisory and Consultancy Services Sdn Bhd	
Boustead Credit Sdn Bhd	
Boustead - Anwarsyukur Estates Agency Sdn Bhd	
Boustead Curve Sdn Bhd	
Boustead Eldred Sdn Bhd	
Boustead Emasewa Sdn Bhd	
Boustead Emastulin Sdn Bhd	
Boustead Estates Agency Sdn Bhd	
Boustead Gradient Sdn Bhd	
Boustead Heavy Industries Corporation Berhad	
Boustead Hotels & Resorts Sdn Bhd	
Boustead Information Technology Sdn Bhd	
Boustead Linear Corporation Sdn Bhd	
Boustead Naval Shipyard Sdn Bhd	
Boustead Oil Bulking Sdn Bhd	
Boustead Pelita Kanowit Sdn Bhd	
Boustead Pelita Tinjar Sdn Bhd	
Boustead Kanowit Oil Mill Sdn Bhd	
Boustead Petroleum Sdn Bhd	
Boustead Petroleum Marketing Sdn Bhd	

44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related parties</u>	<u>Relationship</u>
Boustead Plantations Sdn Bhd	
Boustead Properties Berhad	
Boustead Realty Sdn Bhd	
Boustead Reit Managers Sdn Bhd	
Boustead Rimba Nilai Sdn Bhd	
Boustead Segaria Sdn Bhd	
Boustead Shipping Agencies Sdn Bhd	
Boustead Silasuka Sdn Bhd	
Boustead Sissons Paints Sdn Bhd	
Boustead Solandra Sdn Bhd	
Boustead Sungai Manar Sdn Bhd	
Boustead Sutera Sdn Bhd	
Boustead Travel Services Sdn Bhd	
Boustead Weld Court Sdn Bhd	
Idaman Pharma Manufacturing Sdn Bhd	
Mutiara Rini Sdn Bhd	
Royal & Sun Alliance Insurance (M) Bhd	
Segamaha Development Sdn Bhd	
Sungai Jernih Plantations Sdn Bhd	
Syarikat Hing Lee Plantations Sdn Bhd	
The University of Nottingham in Malaysia Sdn Bhd	
UAC Berhad	
Yaw Lim Plantations Sdn Bhd	
Guocera Tile Industries (Meru) Sdn Bhd	Subsidiaries of LTAT
AXA AFFIN Life Insurance Berhad	Associate of LTAT
AXA AFFIN General Insurance Berhad	Jointly controlled entity
The Bank of East Asia, Limited	Associate
	Substantial shareholder

Key management personnel includes the directors of the Company in office during the year and their remuneration for the financial year are disclosed in Note 34.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

## 44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

(a) The significant transactions of the Group and Company with the related parties

	Ultimate holding company		Other related companies		Jointly controlled entity / Associate		Substantial Shareholder		Key management personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>										
Interest income on advances	-	-	5,651	5,444	-	-	-	-	9	15
Interest income on private debt securities	-	-	-	-	-	-	2,985	-	-	-
Fee income	286	86	4,963	657	41	273	-	-	-	-
Brokerage income	4,198	2,507	497	45	153	3	-	-	-	-
Commission income	-	-	-	-	3,361	3,329	-	-	-	-
	4,484	2,593	11,111	6,146	3,555	3,605	2,985	-	9	15
<b>Expenses</b>										
Interest expenses:-										
- deposit and placements of banks and other financial institutions	-	-	-	-	2,580	2,002	-	-	-	-
- deposit from other customers	35,904	17,956	1,455	278	-	-	-	-	18	9
Rental of premises	1,130	1,854	16,075	14,954	-	-	-	-	-	-
Insurance premium	-	-	-	-	29,166	31,986	-	-	-	-
Other expenses	3	-	2,138	867	-	-	-	-	-	-
	37,037	19,810	19,668	16,099	31,746	35,988	-	-	18	9



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) The significant transactions of the Group and Company with the related parties (continued)

COMPANY	Ultimate holding company		Subsidiaries		Other related companies		Jointly controlled entity / Associate		Key management personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>										
Interest income:-										
- money at call and deposits with financial institutions	-	-	7,006	3,582	-	-	-	-	-	-
- short-term advances	-	-	-	93	-	-	-	-	-	-
Fee income	-	-	4	21	-	-	-	-	-	-
	-	-	7,010	3,696	-	-	-	-	-	-
<b>Expenses</b>										
Professional fees	-	-	1,007	2,034	-	-	-	-	-	-
Rental of premises	-	44	-	-	632	468	-	-	-	-
Other expenses	-	-	-	-	192	194	65	36	-	-
	-	44	1,007	2,034	824	662	65	36	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

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### 44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances

GROUP	Ultimate holding company		Other related companies		Jointly controlled entity / Associate		Substantial Shareholder		Key management personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from:</b>										
Advances	-	-	302,626	172,095	-	-	-	-	111	126
Rental deposits	337	676	3,846	3,939	-	-	-	-	-	-
Purchase of securities by Lembaga Tabung Angkatan Tentera	19,532	2,237	-	-	-	-	-	-	-	-
Management fees receivable	29	22	-	-	-	-	-	-	-	-
Other assets	-	-	112	345	-	-	66,066	-	-	-
	19,898	2,935	306,584	176,379	-	-	66,066	-	111	126
<b>Amount due to:</b>										
Deposits from customers	660,477	670,167	320,045	34,411	-	-	-	-	429	308
Deposits and placements of banks and other financial institutions	-	-	-	-	79,672	120,207	-	-	-	-
Interest payable	1,849	1,754	-	-	-	481	-	-	-	-
Sales of securities	-	1,022	-	-	-	-	-	-	-	-
Current accounts	21,707	35,805	141,124	-	2,986	553	-	-	191	281
Premium payable	-	-	-	-	3,335	2,978	-	-	-	-
Other payable	-	313	-	-	-	-	-	-	-	-
	684,033	709,061	461,169	34,411	85,993	124,219	-	-	620	589

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 44 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

COMPANY	Ultimate holding company		Subsidiaries		Other related companies		Jointly controlled entity / Associate		Key management personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from:</b>										
Cash and bank balances with banks and other financial institutions	-	-	41	391	-	-	-	-	-	-
Money at call and deposits placements maturing within one month	-	-	233,031	91,124	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	230,000	-	-	-	-	-	-	-
Interest receivable	-	-	679	198	-	-	-	-	-	-
Other assets	-	-	21	9,456	161	151	-	-	-	-
	-	-	463,772	101,169	161	151	-	-	-	-
<b>Amount due to:</b>										
Other payable	-	14	-	-	-	-	-	-	-	-
	-	14	-	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Establishment of AFFIN Investment Banking Group

On 14 December 2006, AFFIN Investment Bank Berhad ("AIBB") entered into a Business Transfer Agreement with AFFIN Securities Sdn Bhd ("ASSB") to acquire certain assets and liabilities of ASSB for a cash purchase consideration of RM103.53 million. On 22 December 2006, the Kuala Lumpur High Court of Malaya had given the Order under Section 124(B) of the Securities Commission Act, 1993 confirming the scheme of transfer involving the sale and transfer of the stockbroking business ("Stockbroking Business") of ASSB to AIBB. Pursuant to the Order, the Stockbroking Business of ASSB was transferred to AIBB on 1 January 2007.

The transfer of Stockbroking Business is made pursuant to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia and the Securities Commission on 1 July 2005, that provide for, amongst others, the creation of investment banks. All the requisite approvals required for the transfer of Stockbroking Business had been obtained.

Upon transferring the Stockbroking Business to AIBB, ASSB became a dormant company and was placed under Members' Voluntary Winding-up on 26 November 2007.

(b) Proposed acquisition of a minority stake in AFFIN Holdings Berhad ("AHB") by The Bank of East Asia, Limited ("BEA") ("Proposed Acquisition") and the proposed placement of new ordinary shares of RM1.00 each representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement")

On 24 April 2007, the Company entered into a preliminary agreement with BEA to fix the pricing mechanism with respect to the Proposed Acquisition ("Agreement"). Pursuant to the Agreement, BEA (or one or more of its affiliates) would enter into definitive agreements with (i) AHB pursuant to which it will subscribe for new ordinary shares of RM1.00 each in AHB ("AHB shares") and (ii) certain shareholders of AHB pursuant to which it will purchase existing AHB shares from these shareholders. Upon completion of the Proposed Acquisition, BEA (or one or more of its affiliates) intend to hold up to 25% of the enlarged share capital of AHB.

The subscription price and the purchase price per AHB share payable by BEA (or one or more of its affiliates) pursuant to the Proposed Acquisition shall each be an amount equal to the higher of:-

- (i) 1.3 times of the consolidated net asset value based on the latest audited consolidated financial statements of AHB for the financial year ended 31 December 2006 minus goodwill over the total issued and paid-up capital of AHB as at 31 December 2006; or
- (ii) the par value per AHB Share.

On 31 July 2007, AFFIN Investment Bank Berhad ("AIBB") had on behalf of the Board of Directors of AHB, announced that the Company proposed to undertake a proposed placement of new ordinary shares of RM1.00 each ("Placement Shares") representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement"). The Proposed Placement would entail the issuance of the Placement Shares to BEA and/or its affiliates at an issue price of RM2.58 per share.

On 29 August 2007, the Board of Directors of AHB announced that the Securities Commission ("SC") had vide its letter dated 27 August 2007 approved the Proposed Placement, subject to the following conditions:-

- (i) Payment for the Placement Shares be made within five (5) market days from the date The Bank of East Asia, Limited ("BEA") received notification that all relevant approvals have been obtained;
- (ii) BEA's effective interest in AHB should not be more than 25%;

**45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)**

(b) Proposed acquisition of a minority stake in AHB by The Bank of East Asia, Limited ("Proposed Acquisition") and the proposed placement of new ordinary shares of RM1.00 each representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement") (continued)

(iii) AIBB/AHB to fully comply with the relevant provisions in Guidance Note 8C and other relevant requirements stipulated in the SC's Policies and Guidelines on Issue / Offer of Securities, in implementing the Proposed Placement;

(iv) AIBB/AHB to inform SC upon completion of the proposal.

The SC had vide the same letter approved the Proposed Placement pursuant to the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.

On 11 September 2007, the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 10 September 2007 informed that the Minister of Finance ("MOF") has approved for AHB and BEA to enter into an agreement or arrangement for the Proposed Placement. The approval by MOF is subject to compliance with BNM's shareholding policies from time to time.

On 18 September 2007, AHB entered into a conditional share subscription agreement ("SSA") with BEA pursuant to the Proposed Placement. The Proposed Placement had also been approved by the shareholders of AHB at the Extraordinary General Meeting held on 10 October 2007.

On 11 October 2007, Bursa Malaysia Securities Berhad had granted AHB the approval-in-principle for the listing of and quotation for the Placement Shares. On the same day, AHB had also obtained the approval from the Licensing Department of the SC for the change in indirect shareholding of AFFIN Fund Management Berhad pursuant to the fund manager's license. Accordingly, all the conditions precedent in relation to the Placement as stipulated in the conditional SSA had been fulfilled.

With the listing of and quotation for 193,201,626 Placement Shares on the Main Board of Bursa Malaysia Securities Berhad, the SSA is deemed completed on 25 October 2007.

(c) Proposed formation of AFFIN Banking Group ("ABG")

For the proposed formation of ABG, the Board of Directors of AFFIN Holdings Berhad ("AHB") had on 10 October 2007 approved the application to BNM in relation to:-

(i) Proposed payment of special dividend by AFFIN Bank Berhad ("ABB") of RM263.7 million to AHB and proposed subscription by AHB for the non-renounceable rights issue of new ordinary shares of RM1.00 each in ABB for an aggregate sum of RM263.7 million.

(ii) Proposed payment of special dividend by AFFIN Investment Bank Berhad ("AIBB") of RM26.3 million to AHB and proposed subscription by AHB for the non-renounceable rights issue of new ordinary shares of RM1.00 each in AIBB for an aggregate sum of RM26.3 million.

(iii) Proposed acquisition by AFFIN Capital Sdn Bhd ("ACSB") (formally known as AFFIN Capital Holdings Sdn Bhd) of the entire issued and paid-up share capital of ABB, AIBB and AFFIN Islamic Bank Berhad ("AFFIN Islamic").

On 26 December 2007, AHB had obtained approval from BNM in relation to the declaration and payment of special dividend by ABB and AIBB of RM263.7 million and RM26.3 million respectively, subject to the Company re-injecting the dividends received of the same amount into both ABB and AIBB.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

#### (c) Proposed formation of AFFIN Banking Group (continued)

On 25 January 2008, the Company announced that Bank Negara Malaysia ("BNM") had vide its letter dated 25 January 2008 informed that BNM had obtained the approval from Minister of Finance for the following:-

- (i) Pursuant to Section 45(1)(a) and (b) of the Banking and Financial Institutions Act 1989 ("BAFIA") for AFFIN Capital Sdn Bhd (formerly known as AFFIN Capital Holdings Sdn Bhd) ("ACSB"), a wholly-owned subsidiary of AHB, to acquire the entire equity interest in ABB and AIBB;
- (ii) Pursuant to Section 45(3) of the BAFIA for AHB to subscribe to the issuance of new ordinary shares of RM1.00 each in ABB and AIBB;
- (iii) Pursuant to Section 46 of BAFIA for ACSB to hold shares in ABB and AIBB in excess of the maximum permissible limit;
- (iv) Pursuant to Section 49 of the BAFIA for AHB and ACSB to enter into an agreement or arrangement which would result in the change in the control of ABB and AIBB, after (i) above; and
- (v) Pursuant to Section 22 of the Islamic Banking Act 1983 for ACSB and ABB to enter into an arrangement or agreement for ACSB to acquire from ABB the entire equity interest in AFFIN Islamic, which would result in a change in the control or management of AFFIN Islamic.

Further, BNM informed that following the above internal restructuring exercise, in addition to AHB, ACSB is also designated as a Financial Holding Company in view of its holding of the licensed institutions comprising ABB, AIBB and AFFIN Islamic (collectively the "Banking Subsidiaries"). In this regard, ACSB would be subjected to the following conditions:-

- (i) its investment should be confined to the financial sector and prior approval of BNM is to be obtained for any new investments; and
- (ii) compliance with the Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1).

The approval from MOF represents a key milestone for the proposed rationalisation by AHB to put together its banking businesses undertaken by ABB, AIBB and AFFIN Islamic under ACSB ("Proposed Formation of AFFIN Banking Group"). The Banking Subsidiaries with ACSB as their immediate holding company will be re-branded as the "AFFIN Banking Group".

The Proposed Formation of AFFIN Banking Group is part of AHB's continuous effort to review its business model and corporate structure to ensure it remains effective amidst the competitive banking industry. The Proposed Formation of AFFIN Banking Group is expected to bring greater focus and efficiency in delivery capabilities through a comprehensive and seamless range of products and services. Over the long term, it is expected that the Proposed Formation of AFFIN Banking Group will result in sustainable, positive and tangible benefits to the shareholders of AHB.

#### (d) Joint venture between AFFIN Fund Management Sdn Bhd ("AFM") with Asia Equity Partners Sdn Bhd ("AEP")("JV")

On 6 March 2007, AFM signed a joint venture agreement ("JVA") with AEP for the purpose of collaborating and sharing each other expertise and network and set up a RM150 million commercial property fund ("Proposed Fund") within the prime or central locations in Malaysia.

Pursuant to the JVA, AFM and AEP intend to jointly establish and set up the Proposed Fund. The Proposed Fund shall be incorporated as a closed-end investment company in Malaysia and will seek to acquire commercial properties with strong potential for growth in rental and capital value. The Proposed Fund shall comprise equity investment of RM150 million with a duration not exceeding five (5) years.

**45 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)****(d) Joint venture between AFFIN Fund Management Sdn Bhd ("AFM") with Asia Equity Partners Sdn Bhd ("AEP")("JV") (continued)**

Under the Proposed Fund, AFM will act as the Fund Manager whilst AEP will act as the Portfolio Advisor. The JV would not involve any capital investment by AFM as there would not be any joint venture company to be incorporated.

The JV is conditional upon satisfaction of the following condition precedent:-

- (i) AFM's Board, shareholders, SC and/or any other authorities, if required; and
- (ii) AEP's Board, shareholders and/or investment committee or other relevant authorities, if required.

**(e) Proposed acquisition of equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") ("Proposed Acquisition")**

On 21 September 2007, the Company announced that Bank Negara Malaysia ("BNM") had vide its letter dated 21 September 2007 stated that it had no objection in principle for AXA Asia Pacific Holdings Limited ("AXA APH") and AFFIN Holdings Berhad ("AHB") to commence preliminary negotiations with MAA Holdings Berhad ("MAA Holdings") for the proposed acquisition of equity interest in MAA Assurance, a wholly-owned subsidiary of MAA Holdings.

AXA APH, AHB and MAA Holdings would be required to obtain the prior approval of the Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act 1966 ("Act") before entering into any agreement to effect the Proposed Acquisition.

The final approval pursuant to the Act will only be considered upon AXA APH and AHB complying with the following requirements:-

- (i) submitting a plan to rationalise the insurance business of MAA Holdings with AXA AFFIN General Insurance Berhad ("AXA AFFIN General") and AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") in accordance with Section 69 of the Act;
- (ii) submitting a detailed capital plan for AXA AFFIN General and AXA AFFIN Life as well as the rationalised entities to comply with the supervisory and internal target capital as prescribed under the Risk Based Capital Framework; and
- (iii) compliance with the foreign equity participation limit imposed on insurance companies.

**(f) Proposed disposal of equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB") ("Proposed Disposal")**

On 16 October 2007, the Company announced that Bank Negara Malaysia ("BNM") had vide its letter dated 5 October 2007 stated it had no objection for AHB to enter into discussions with CIMB Group ("CIMBG") for the proposed disposal of the equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB").

The approval by BNM is for AFFIN Holdings Berhad to initiate discussions and negotiations with CIMBG and should not be deemed as the final approval. Under Section 67 of the Insurance Act 1996 (Act), BNM's approval is required before entering into any agreement to acquire or dispose of equity interest in any licensees under the Act.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 46 SEGMENT ANALYSIS

The segment analysis is presented based on the principal activities of the subsidiaries. The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments have been presented.

The format of the segment analysis is based on the internal financial reporting system which reflect the Group's management reporting structure. The Group comprises the following main segments:-

#### Commercial Banking and Hire Purchase

The Commercial Banking and Hire Purchase segment focuses on business of banking in all aspects which includes Islamic banking operations. Its activities are generally structured into two key areas, Consumer Banking and Enterprise Banking Services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans, housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Enterprise Banking provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing, and other fee-based services.

#### Investment Banking

Investment Banking segment includes business of a merchant bank, discount house, fund and unit trusts management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises. It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to both corporate and institutional investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

#### Stock-broking

This segment comprises institutional and retail broking business for securities listed on the Bursa Malaysia Securities Berhad, investment management and research services.

#### Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

#### Others

Other business segments in the Group include operation of investment holding companies, money-broking, insurance-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.



## 46 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2007 and 2006 are as follows:

	Commercial Banking and Hire Purchase RM'000	Investment Banking RM'000	Stock- broking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>2007</b>							
Segment revenue	1,892,937	203,961	75,627	–	12,348	–	2,184,873
Intersegment revenue	198	4,650	312	–	1,152	(6,312)	–
Revenue	<u>1,893,135</u>	<u>208,611</u>	<u>75,939</u>	<u>–</u>	<u>13,500</u>	<u>(6,312)</u>	<u>2,184,873</u>
Segment results	322,003	37,199	24,775	–	10,362	(12,931)	381,408
Unallocated expenses	–	–	–	–	–	–	(35,328)
Share of results of jointly controlled entity (net of tax)	–	–	–	(10,583)	–	–	(10,583)
Share of results of associate (net of tax)	–	–	–	17,474	–	–	17,474
Profit before taxation and zakat							352,971
Taxation and zakat							(101,198)
Net profit for the financial year							<u>251,773</u>
Segment assets	32,605,434	2,955,885	946,867	–	55,657	–	36,563,843
Investment in jointly controlled entity	–	–	–	97,330	–	–	97,330
Investment in associate	–	–	–	109,976	–	–	109,976
Unallocated assets	–	–	–	–	–	–	42,237
Total segment assets							<u>36,813,386</u>
Total segment liabilities	28,595,412	2,655,437	913,388	–	2,776	–	32,167,013
Unallocated liabilities	–	–	–	–	–	–	409,395
							<u>32,576,408</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 46 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2007 and 2006 are as follows: (continued)

	Commercial Banking and Hire Purchase RM'000	Investment Banking RM'000	Stock- broking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>2007</b>							
<u>Non-cash items</u>							
Capital expenditure	32,290	1,567	1,464	–	307	–	35,628
Depreciation of property, plant and equipment	21,227	1,943	2,655	–	668	–	26,493
Amortisation of intangible assets	15,596	431	376	–	73	–	16,476
Allowances for losses on loans, advances and financing	394,856	9,743	38	–	(338)	–	404,299
Impairment of property, plant and equipment	–	–	–	–	(38)	–	(38)
Other non-cash items	(148,425)	(117,921)	(366)	(6,891)	19,537	–	(254,066)
<b>2006</b>							
Segment revenue	1,647,334	287,725	41,965	–	11,005	–	1,988,029
Intersegment revenue	2,828	1,018	681	–	1,089	(5,616)	–
Revenue	1,650,162	288,743	42,646	–	12,094	(5,616)	1,988,029
Segment results	272,314	63,933	6,141	–	2,012	1,553	345,953
Unallocated expenses	–	–	–	–	–	–	(45,536)
Share of results of jointly controlled entity (net of tax)	–	–	–	(3,267)	–	–	(3,267)
Share of results of associate (net of tax)	–	–	–	17,261	–	–	17,261
Profit before taxation and zakat							314,411
Taxation and zakat							(87,493)
Net profit for the financial year							226,918

## 46 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2007 and 2006 are as follows: (continued)

	Commercial Banking and Hire Purchase RM'000	Investment Banking RM'000	Stock- broking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
<b>2006</b>							
Segment assets	30,114,699	4,553,746	519,752	–	42,575	–	35,230,772
Investment in jointly controlled entity	–	–	–	107,913	–	–	107,913
Investment in associate	–	–	–	98,342	–	–	98,342
Unallocated assets	–	–	–	–	–	–	46,965
Total segment assets							<u>35,483,992</u>
Total segment liabilities	27,018,992	3,897,843	420,156	–	2,608	–	31,339,599
Unallocated liabilities	–	–	–	–	–	–	667,550
							<u>32,007,149</u>
<u>Non-cash items</u>							
Capital expenditure	35,016	2,614	5,415	–	1,615	–	44,660
Depreciation of property, plant and equipment	23,063	2,014	2,291	–	724	–	28,092
Amortisation of intangible assets	13,926	453	413	–	4	–	14,796
Allowances for losses on loans, advances and financing	252,898	731	–	–	–	–	253,629
Impairment of intangible assets	–	–	(70)	–	38	–	(32)
Other non-cash items	(89,652)	(129,669)	(491)	(13,994)	122	–	(233,684)

### 47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

#### Market Risk

Market risk refers to the impact on an institution's financial condition resulting from future adverse price or volatility movements of the assets contained in its portfolio. The principal market risk of the Group's assets and liabilities management is primarily associated with the maturity and re-pricing mismatches of its assets and liabilities. The Board of each subsidiary is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

The market risk management framework of the subsidiaries comprises a series of cut-loss and potential loss limits approved by the Asset Liability Committee ("ALCO") of respective subsidiaries to ensure that risk-takers do not exceed parameters set by management and periodic risk analysis which include among others Value-at-Risk ("VAR"), Present Value of a Basis Points ("PVBP") and stress tests.

Limits management is a control mechanism to ensure that all business activities are conducted in compliance with the limits in the risk management guidelines and policies. VAR and PVBP analysis are conducted by the Group's financial institution subsidiaries as part of the mechanism to quantify both the individual components and overall market risk exposures of the respective company. VAR measures the risk losses arising from potential adverse movements in interest rates, equity prices and volatilities that could impact values of financial instruments. PVBP measures the change in value of interest rate sensitive exposures and identifies interest rate exposures that are most vulnerable to interest rate changes and facilitates the implementation of hedging strategies. These limits are set and reviewed regularly according to a number of factors, including market trading liquidity of the instruments and the subsidiaries' business strategy.

Periodic stress testing analysis is also conducted at the Group and subsidiaries level to ascertain impact of market risk on the Group's financial position under abnormal market conditions.

#### Credit Risk

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations. Exposure to credit risks for the Group arises primarily from lending activities by the financial institutions.

The management of credit risk in subsidiaries is governed by credit management policies and procedures set and approved by each subsidiary's Board of Directors. The procedures spell out the relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

#### 47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Credit Risk (continued)

The banking subsidiaries have in place credit grading systems implemented for the corporate, business and retail loans. The grading is based on credit worthiness of the borrowers, i.e. ability to repay debt obligations based on the borrowers' current condition, with regard to its management capacity and its market position.

Portfolio management is put in place to evaluate the credit risk exposures, the portfolio's risk profiles and to identify any adverse trends or risk concentration patterns. The focus of portfolio management is to ensure that the risk concentration areas and unacceptable risk factors are managed and mitigated early.

##### Liquidity risk

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Group's operations and meet its liabilities when they fall due.

The Board of each subsidiary is responsible for the subsidiary's liquidity performance although the strategic management of liquidity has been delegated to the ALCO. The respective Board is however informed regularly of the liquidity situation of the subsidiaries. The respective ALCO of the subsidiaries execute the subsidiaries' liquidity strategy including ensuring that appropriate policies and procedures are established to control and limit liquidity risk. It is also responsible for ensuring that the subsidiaries have adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

The Group's subsidiaries which are regulated by BNM adopts BNM's Liquidity Framework ("NLF") which ascertains the liquidity condition based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Group seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all classes of assets and liabilities in accordance with regulatory guidelines and to take advantage of any lending and investment opportunities as they arise.

##### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in each of the Group's business and operational activities. Such risks can potentially result in financial loss for the Group.

The monitoring and control of such risks are done through policies and procedures at the individual subsidiaries or operational activities level which serve as a reference guide for the operations of all key business units. These were designed taking into consideration the individual subsidiary's business activities, the market in which it is operating and any regulatory requirement in force. The risk management committees of key operating subsidiaries, namely AFFIN Bank Berhad and AFFIN Investment Bank Berhad are responsible to formulate operational risk management framework to ensure that operational risks within the subsidiaries are properly identified, monitored, managed and reported.

The internal audit functions at the subsidiaries perform regular audits on various operations of the subsidiaries and monitor the key risk exposure areas to ensure that internal control procedures are in place and the procedures able to mitigate risks associated with operational activities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 48 INTEREST/PROFIT RATE RISK

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

Group	Non-trading Book						Trading book RM'000	Total RM'000	Weighted Average Rate %
	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			
2007									
<b>Assets</b>									
Cash and short-term funds	8,205,915	-	-	-	-	180,198	-	8,386,113	3.63
Deposits and placements with banks and other financial institutions	9,264	545,581	166,690	-	-	13	-	721,548	4.68
Securities held-for-trading	1,721	-	-	-	-	-	278,605	280,326	6.21
Securities available-for-sale	1,221,682	820,334	1,608,833	1,609,907	489,693	118,016	-	5,868,465	4.09
Securities held-to-maturity	10,670	-	34,615	162,946	394	234,682	-	443,307	6.85
Loans, advances and financing									
- performing	8,653,429	1,224,554	1,374,289	3,589,711	1,326,075	(274,585)*	-	15,893,473	7.69
- non-performing	-	-	-	-	-	1,384,166	-	1,384,166	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	841,647	-	841,647	
Land held for sale	-	-	-	-	-	92,835	-	92,835	
Other assets	-	-	-	-	-	2,901,293	213	2,901,506	
<b>Total assets</b>	<b>18,102,681</b>	<b>2,590,469</b>	<b>3,184,427</b>	<b>5,362,564</b>	<b>1,816,162</b>	<b>5,478,265</b>	<b>278,818</b>	<b>36,813,386</b>	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 48 INTEREST/PROFIT RATE RISK (continued)

Group (continued)	Non-trading Book					Trading book RM'000	Total RM'000	Weighted Average Rate %
	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			
2007 (continued)								
<b>Liabilities</b>								
Deposits from customers	12,384,021	6,142,544	4,950,286	143,136	-	-	25,558,739	2.98
Deposits and placements of banks and other financial institutions	2,272,111	1,777,063	29,900	-	-	-	4,079,074	3.65
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	126,697	-
Recourse obligation on loans sold to Cagamas Berhad	15,321	148,340	185,590	12,259	-	-	361,510	4.02
Borrowings	200,000	-	200,000	500,000	-	-	900,000	5.43
Other liabilities	47,345	-	-	-	-	3,945	1,550,388	-
<b>Total liabilities</b>	<b>14,918,798</b>	<b>8,067,947</b>	<b>5,365,776</b>	<b>655,395</b>	<b>-</b>	<b>3,945</b>	<b>32,576,408</b>	
Shareholders' funds	-	-	-	-	-	-	4,236,978	-
<b>Total liabilities and shareholders' funds</b>	<b>14,918,798</b>	<b>8,067,947</b>	<b>5,365,776</b>	<b>655,395</b>	<b>-</b>	<b>3,945</b>	<b>36,813,386</b>	
On-balance sheet interest sensitivity gap	3,183,883	(5,477,478)	(2,181,349)	4,707,169	1,816,162	274,873	-	-
Off-balance sheet interest sensitivity gap	203,704	173,177	(1,458)	(350,348)	(25,075)	-	-	-
<b>Total interest sensitivity gap</b>	<b>3,387,587</b>	<b>(5,304,301)</b>	<b>(2,182,807)</b>	<b>4,356,821</b>	<b>1,791,087</b>	<b>274,873</b>	<b>-</b>	

\* The negative balance represents general allowances for loans, advances and financing in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

- (1) Other assets include investment in associate, trade debtors, goodwill, property, plant and equipment, tax recoverable, deferred tax assets and other assets.
- (2) Other liabilities include trade creditors, provision for taxation, deferred tax liabilities and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

48 INTEREST/PROFIT RATE RISK (continued)

Group	Non-trading Book						Trading book RM'000	Total RM'000	Weighted Average Rate %
	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			
2006									
<b>Assets</b>									
Cash and short-term funds	7,548,677	-	-	-	-	-	7,734,134	3.58	
Deposits and placements with banks and other financial institutions	15,528	307,524	3,430	-	-	-	326,482	3.56	
Securities held-for-trading	-	-	-	-	-	533,805	533,805	7.53	
Securities available-for-sale	437,175	967,460	1,002,319	2,309,410	384,443	-	5,245,310	3.80	
Securities held-to-maturity	-	14,809	561,726	146,286	86,285	-	1,065,972	4.23	
Loans, advances and financing									
- performing	8,174,650	1,043,326	1,288,997	3,547,437	1,446,314	-	15,225,523	7.96	
- non-performing	-	-	-	-	-	2,131,448	2,131,448		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	820,755		
Land held for sale	-	-	-	-	-	-	100,814		
Other assets	13,569	20,859	4	55	-	2,198	2,299,749		
<b>Total assets</b>	16,189,599	2,353,978	2,856,476	6,003,188	1,917,042	536,003	35,483,992		



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 48 INTEREST/PROFIT RATE RISK (continued)

Group (continued)	Non-trading Book					Trading book RM'000	Total RM'000	Weighted Average Rate %
	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			
2006 (continued)								
<b>Liabilities</b>								
Deposits from customers	11,647,823	7,484,831	4,722,527	70,963	-	-	25,688,093	3.03
Deposits and placements of banks and other financial institutions	917,427	220,440	213,660	-	-	-	1,351,527	4.21
Obligations on securities sold under repurchase agreements	1,757,341	2,972	-	-	-	-	1,760,313	3.40
Bills and acceptances payable	110,358	75,771	2,662	-	-	-	281,177	3.80
Recourse obligation on loans sold to Cagamas Berhad	37,697	-	143,340	456,721	-	-	637,758	4.00
Borrowings	794,114	48,530	120,000	200,000	-	-	1,162,644	5.54
Other liabilities	41,401	-	-	-	-	4,814	1,125,637	
<b>Total liabilities</b>	<b>15,306,141</b>	<b>7,832,544</b>	<b>5,202,189</b>	<b>727,684</b>	<b>-</b>	<b>2,933,777</b>	<b>32,007,149</b>	
Shareholders' funds	-	-	-	-	-	-	3,476,843	
<b>Total liabilities and shareholders' funds</b>	<b>15,306,141</b>	<b>7,832,544</b>	<b>5,202,189</b>	<b>727,684</b>	<b>-</b>	<b>6,410,620</b>	<b>35,483,992</b>	
On-balance sheet interest sensitivity gap	883,458	(5,478,566)	(2,345,713)	5,275,504	1,917,042	(782,914)	531,189	-
Off-balance sheet interest sensitivity gap	267,341	71,000	(49,000)	(199,191)	(90,150)	-	-	-
<b>Total interest sensitivity gap</b>	<b>1,150,799</b>	<b>(5,407,566)</b>	<b>(2,394,713)</b>	<b>5,076,313</b>	<b>1,826,892</b>	<b>(782,914)</b>	<b>531,189</b>	<b>-</b>

\* The negative balance represents general allowances for loans, advances and financing in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

- (1) Other assets include investment in associate, trade debtors, goodwill, property, plant and equipment, tax recoverable, deferred tax assets and other assets.
- (2) Other liabilities include trade creditors, provision for taxation, deferred tax liabilities and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

48 INTEREST/PROFIT RATE RISK (continued)

COMPANY	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	Weighted Average Rate %
<b>2007</b>									
<b>Assets</b>									
Cash and short-term funds	238,169	-	-	-	-	44	-	238,213	3.51
Deposits and placements with banks and other financial institutions	-	230,000	-	-	-	-	-	230,000	3.52
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Amount due from subsidiaries	-	-	-	-	-	3,807,617	-	3,807,617	-
Investment in jointly controlled entity	-	-	-	-	-	-	-	-	-
Investment in associate	-	-	-	-	-	121,777	-	121,777	-
Other assets	-	-	-	-	-	1,201	-	1,201	-
Tax recoverable	-	-	-	-	-	35,350	-	35,350	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	1,245	-	1,245	-
<b>Total assets</b>	<b>238,169</b>	<b>230,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,967,234</b>	<b>-</b>	<b>4,435,403</b>	
<b>Liabilities</b>									
Amount due to subsidiaries	-	-	-	-	-	798,715	-	798,715	-
Other liabilities	-	-	-	-	-	9,176	-	9,176	-
Deferred tax liabilities	-	-	-	-	-	219	-	219	-
Borrowings	200,000	-	200,000	-	-	-	-	400,000	4.40
<b>Total liabilities</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>808,110</b>	<b>-</b>	<b>1,208,110</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,227,293</b>	<b>-</b>	<b>3,227,293</b>	
<b>Total liabilities and shareholders' funds</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>4,035,403</b>	<b>-</b>	<b>4,435,403</b>	
On-balance sheet interest sensitivity gap	38,169	230,000	(200,000)	-	-	(68,169)	-	-	-
<b>Total interest sensitivity gap</b>	<b>38,169</b>	<b>230,000</b>	<b>(200,000)</b>	<b>-</b>	<b>-</b>	<b>(68,169)</b>	<b>-</b>	<b>-</b>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

48 INTEREST/PROFIT RATE RISK (continued)

COMPANY (continued)	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	Weighted Average Rate %
2006									
<b>Assets</b>									
Cash and short-term funds	94,609	-	-	-	-	407	-	95,016	3.58
Deposits and placements with banks and other financial institutions	-	3,484	-	-	-	-	-	3,484	3.50
Investment in subsidiaries	-	-	-	-	-	3,523,400	-	3,523,400	7.75
Amount due from subsidiaries	9,250	-	-	-	-	36,481	-	45,731	
Investment in jointly controlled entity	-	-	-	-	-	111,180	-	111,180	
Investment in associate	-	-	-	-	-	10,597	-	10,597	
Other assets	214	-	-	-	-	632	-	846	
Tax recoverable	-	-	-	-	-	38,003	-	38,003	
Deferred tax assets	-	-	-	-	-	161	-	161	
Property, plant and equipment	-	-	-	-	-	1,257	-	1,257	
<b>Total assets</b>	104,073	3,484	-	-	-	3,722,118	-	3,829,675	
<b>Liabilities</b>									
Amount due to subsidiary	-	-	-	-	-	714,078	-	714,078	
Other liabilities	9,998	-	-	-	-	4,025	-	14,023	
Borrowings	285,000	48,530	120,000	200,000	-	-	-	653,530	4.57
<b>Total liabilities</b>	294,998	48,530	120,000	200,000	-	718,103	-	1,381,631	
Shareholders' funds	-	-	-	-	-	2,448,044	-	2,448,044	
<b>Total liabilities and shareholders' funds</b>	294,998	48,530	120,000	200,000	-	3,166,147	-	3,829,675	
On-balance sheet interest sensitivity gap	(190,925)	(45,046)	(120,000)	(200,000)	-	555,971	-	-	
<b>Total interest sensitivity gap</b>	(190,925)	(45,046)	(120,000)	(200,000)	-	555,971	-	-	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

## 49 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyse the Group's and the Company's financial assets and commitments and contingencies by industry concentration as at the balance sheet date:

GROUP	Short-term funds and placements with banks and other financial institutions RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
2007								
Agriculture	-	-	25,170	-	250,231	27	275,428	125,110
Mining and quarrying	-	-	-	-	70,042	786	70,828	277,486
Manufacturing	-	-	205,892	194,533	1,442,437	1,986	1,844,848	389,986
Electricity, gas and water	-	95,954	28,106	-	17,694	1,673	143,427	7,296
Construction	-	-	218,264	8,537	1,505,005	1,049	1,732,855	665,847
Real estate	-	-	10,073	59,057	714,852	123	784,105	137,374
General commerce	-	-	4,998	30,685	1,276,014	693	1,312,390	77,610
Transport, storage and communication	-	88,492	142,620	2,105	597,293	3,097	833,607	87,982
Finance, insurance and business services	2,865,921	56,577	2,914,294	52,378	1,859,103	45,720	7,793,993	484,514
Government and government agencies	6,153,781	39,303	2,133,395	69,590	50,558	14,859	8,461,486	590,771
Purchase of landed property, securities and vehicles	-	-	-	-	40,258	854,631	894,889	-
Consumption credit	-	-	-	-	-	-	-	-
Others	3	-	90,298	1,375	9,728,737	296,588	10,117,001	1,704,960
<b>Total</b>	<b>9,019,705</b>	<b>280,326</b>	<b>5,773,110</b>	<b>418,260</b>	<b>17,552,224*</b>	<b>1,221,232</b>	<b>34,264,857</b>	<b>4,548,936</b>

\* Excludes general allowance amounting to RM275 million

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 41 (c).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

49 CREDIT RISK (continued)

	Short-term funds and placements with banks and other financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale RM'000	Securities held-to- maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
<b>GROUP (continued)</b>								
<b>2006</b>								
Agriculture	-	-	96,059	-	233,370	255	329,684	32,431
Mining and quarrying	-	-	-	-	58,892	719	59,611	304
Manufacturing	-	341	337,685	211,590	1,422,184	4,167	1,975,967	253,012
Electricity, gas and water	-	423,797	133,703	-	24,894	10,168	592,562	14,662
Construction	-	65,116	118,072	102,602	1,434,178	4,149	1,724,117	606,260
Real estate	-	-	-	112,385	625,375	2,002	739,762	50,257
General commerce	-	-	96,680	52,112	1,215,155	272	1,364,219	169,773
Transport, storage and communication	-	-	116,576	3,528	617,366	181	737,651	370,681
Finance, insurance and business services	1,561,052	44,551	1,697,563	144,825	1,567,333	417,471	5,432,795	288,455
Government and government agencies	6,436,088	-	2,490,058	399,646	124,886	30,931	9,481,609	17,500
Purchase of landed property, securities and vehicles	-	-	-	-	-	-	-	6,024
Consumption credit	-	-	-	-	-	-	-	-
Others	2	-	11,834	5,691	10,301,308	61,484	10,380,319	2,152,256
<b>Total</b>	<b>7,997,142</b>	<b>533,805</b>	<b>5,098,230</b>	<b>1,032,379</b>	<b>17,624,941*</b>	<b>531,799</b>	<b>32,818,296</b>	<b>3,961,615</b>

\* Excludes general allowance amounting to RM268 million

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 41 (c).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 49 CREDIT RISK (continued)

COMPANY	Short-term funds and placements with banks and other financial institutions RM'000	Other assets RM'000	Total on-balance sheet RM'000
<b>2007</b>			
Finance, insurance and business services	468,213	682	468,895
Others	–	227	227
	<b>468,213</b>	<b>909</b>	<b>469,122</b>
<b>2006</b>			
Finance, insurance and business services	98,500	45,945	144,445
Others	–	235	235
	<b>98,500</b>	<b>46,180</b>	<b>144,680</b>

### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS132 which requires the fair value information to be disclosed. These include property, plant and equipment, investments in subsidiaries, jointly controlled entity and associate, deferred tax, land held for sale and intangible assets.

## 50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of the financial assets and financial liabilities of the Group and the Company approximated to their respective carrying value as at the balance sheet date, except for the followings:-

2007

	GROUP		COMPANY	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Financial assets</b>				
Securities held-to-maturity	443,307	543,279	–	–
Loan, advances and financing	17,277,639	17,358,602	–	–
Other assets	374,814	374,864	1,201	1,201
	<b>18,095,760</b>	<b>18,276,745</b>	<b>1,201</b>	<b>1,201</b>

**Financial liabilities**

Deposits from customers	25,558,739	25,568,536	–	–
Recourse obligation on loans sold to Cagamas Berhad	361,510	365,220	–	–
Borrowings	900,000	942,922	400,000	400,000
	<b>26,820,249</b>	<b>26,876,678</b>	<b>400,000</b>	<b>400,000</b>

2006

**Financial assets**

Securities held-to-maturity	1,065,972	1,084,518	–	–
Loan, advances and financing	17,356,971	17,416,929	–	–
Amount due from subsidiaries	–	–	45,731	45,748
Other assets	116,937	117,038	846	846
	<b>18,539,880</b>	<b>18,618,485</b>	<b>46,577</b>	<b>46,594</b>

**Financial liabilities**

Deposits from customers	25,688,093	25,701,218	–	–
Recourse obligation on loans sold to Cagamas Berhad	637,758	637,715	–	–
Borrowings	1,162,644	1,109,219	653,530	653,530
	<b>27,488,495</b>	<b>27,448,152</b>	<b>653,530</b>	<b>653,530</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of derivative financial instruments are as follows:-

	Underlying notional RM'000	GROUP Asset RM'000	Liability RM'000
<b>2007</b>			
Foreign exchange contracts			
- Forward contracts	832,356	3,112	7,422
- Swaps	2,722,919	40,505	14,214
- Option	98,034	318	318
Interest rate contracts			
- Swaps	427,281	39	3,945
- Futures contracts	65,000	174	-
<b>2006</b>			
Foreign exchange contracts			
- Forward contracts	820,662	13,025	13,341
- Swaps	909,764	7,091	8,964
Interest rate contracts			
- Swaps	705,112	311	4,814
- Futures contracts	1,662,000	1,887	-

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions:

#### Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar risks and maturity profile.

#### Securities held-for-trading, securities available-for-sale and securities held-to-maturity

The fair values of securities held-for-trading, securities available-for-sale and securities held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at balance sheet date or the audited net tangible asset of the invested company.



**50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of specific provisions and the general allowances for bad and doubtful debts and financing which cover unidentified losses inherent in the loan portfolio, being the reasonable estimate of recoverable amount.

Deposits from customers, banks and other financial institutionsObligation on securities sold under repurchase agreementsBills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.

Borrowings

The estimated fair value of subordinated term loan is based on discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

Derivative financial instruments

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 51 CHANGES IN ACCOUNTING POLICIES

The list of the new accounting standards and amendments to published standards that are effective and applicable for the Group and the Company's accounting period beginning 1 January 2007 is set out in Note 1 of the Summary of Significant Group Accounting Policies.

There was no significant impact arising from the adoption of FRS 124 Related Party Disclosures and TR i - 1 Accounting for Zakat on Business on the financial statements of the Group and the Company.

The adoption of FRS 117 Leases has resulted in a change in accounting policy relating to the classification of leasehold land and building as follows:-

#### FRS 117: Leases

Prior to 1 January 2007, leasehold land and buildings were classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment loss.

FRS 117 requires the land and building elements of leasehold land and buildings to be classified separately as operating or finance lease. The adoption of FRS 117 has resulted in the reclassification of leasehold land which is previously classified as finance lease and recognised within its property, plant and equipment, to be reclassified as operating lease.

Furthermore, the standard requires the up-front lease payment made on the lease to be allocated between the land and building elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.

The Group have accounted for this change in accounting policy retrospectively, in accordance with the transitional provision of FRS 117. As a result, the unamortised carrying amount of the leasehold land is reclassified from property, plant and equipment to prepaid lease payments in "Other assets".

The change of this accounting policy does not affect the recognition and measurement of the Group's net assets but has resulted in reclassification of prior year's comparatives as follows:-

	GROUP	
	As previously reported RM'000	As restated RM'000
<b><u>Balance Sheet as at 31 December 2006</u></b>		
Property, plant and equipment	246,939	228,750
Other assets - Prepaid lease payments	-	18,189
	<hr/>	<hr/>
<b><u>Income Statement for the financial year ended 31 December 2006</u></b>		
Other operating expenses:-		
Depreciation	28,365	28,092
Lease rental - leasehold properties	-	273
	<hr/>	<hr/>

**52 COMPARATIVE FIGURES**

The following comparative figures have been restated mainly due to the reclassification of special investment deposits in respect of the Islamic banking operations and the reclassification of the net amount payable and receivable on interest rate derivatives:

	GROUP	
	As previously reported RM'000	As restated RM'000
<b>Balance Sheet as at 31 December 2006</b>		
Deposits from customers	25,574,706	25,688,093
Deposits and placements of banks and other financial institutions	1,464,914	1,351,527
<b>Income Statement for the financial year ended 31 December 2006</b>		
Revenue	1,951,038	1,988,029
Interest income	1,492,185	1,530,054
Interest expenses	850,651	886,402
Other operating income	340,368	339,511
Other operating expenses	512,037	512,058
Finance cost	38,429	39,669

**53 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 February 2008.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING

#### BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	GROUP	
		2007 RM'000	2006 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(b)	3,532,550	2,207,863
Securities available-for-sale	(c)	774,250	381,288
Securities held-to-maturity	(c)	–	90,600
Financing, advances and other loans	(d)	1,734,155	1,233,014
Statutory deposit with Bank Negara Malaysia		82,300	42,000
Other assets	(e)	135,676	36,416
Deferred tax assets		6,212	4,122
Property, plant and equipment	(f)	273	188
Intangible assets	(g)	1,610	2,092
<b>TOTAL ASSETS</b>		<b>6,267,026</b>	<b>3,997,583</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(h)	3,708,613	2,823,420
Deposits and placements of banks and other financial institutions	(i)	2,078,923	300,450
Bills and acceptances payable		–	23,690
Other liabilities	(j)	238,045	562,160
Provision for tax and zakat		5,838	7,150
<b>TOTAL LIABILITIES</b>		<b>6,031,419</b>	<b>3,716,870</b>
Islamic Banking Capital Funds	(k)	235,607	280,713
<b>TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS</b>		<b>6,267,026</b>	<b>3,997,583</b>
Commitments and contingencies	(u)	3,917,054	4,228,741

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Note	GROUP	
		2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	(m)	227,404	148,775
Allowance for losses on financing	(p)	(7,138)	(6,129)
Transfer from profit equalisation reserve		501	5,206
		<hr/>	<hr/>
Income attributable to depositors	(q)	220,767 (124,647)	147,852 (69,342)
		<hr/>	<hr/>
Income attributable to shareholders		96,120	78,510
Income derived from investment of Islamic Banking Capital Funds	(r)	12,636	15,432
		<hr/>	<hr/>
Net income		108,756	93,942
Other operating expenses	(s)	(47,512)	(27,062)
		<hr/>	<hr/>
Profit before taxation and zakat		61,244	66,880
Taxation		(16,205)	(13,523)
Zakat		(2,240)	(1,592)
		<hr/>	<hr/>
Net profit for the financial year		42,799	51,765
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

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

	Share capital			Non-distributable			Distributable	
	Number of ordinary shares of RM1.00 each '000	Nominal value RM'000	Capital funds allocated RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Retained profits RM'000	Total RM'000	
<b>GROUP</b>								
At 1 January 2007	160,000	160,000	50,000	40,223	128	30,362	280,713	
Net change in fair value of securities available-for-sale	-	-	-	-	(717)	-	(717)	
Deferred tax	-	-	-	-	188	-	188	
Income and expense recognised directly in equity	-	-	-	-	(529)	-	(529)	
Net profit for the financial year	-	-	-	-	-	42,799	42,799	
Total recognised income and expense for the financial year	-	-	-	-	(529)	42,799	42,270	
Transfer to statutory reserves	-	-	-	19,720	-	(19,720)	-	
Transfer to conventional account	-	-	(50,000)	(21,939)	-	(15,437)	(87,376)	
At 31 December 2007	160,000	160,000	-	38,004	(401)	38,004	235,607	
At 1 January 2006	-	-	122,000	21,939	(406)	255,751	399,284	
Net change in fair value of securities available-for-sale	-	-	-	-	448	-	448	
Income and expense recognised directly in equity	-	-	-	-	448	-	448	
Net profit for the financial year	-	-	-	-	-	51,765	51,765	
Total recognised income and expense for the financial year	-	-	-	-	448	51,765	52,213	
Issuance of share capital	160,000	160,000	-	-	-	-	160,000	
Transfer to statutory reserves	-	-	-	18,284	-	(18,284)	-	
Transfer to conventional account	-	-	(72,000)	-	86	(258,870)	(330,784)	
At 31 December 2006	160,000	160,000	50,000	40,223	128	30,362	280,713	

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	GROUP	
	2007 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	61,244	66,880
Adjustments for items not involving the movement of cash and cash equivalents:-		
(Gain)/loss on disposal/redemption of securities		
- securities available-for-sale	-	(63)
- securities held-for-trading	-	468
Interest income from securities		
- securities available-for-sale	(5,555)	(707)
- securities held-to-maturity	(2,003)	(4,859)
Amortisation of premium less accretion of discount		
- securities available-for-sale	(9,886)	(15,527)
- securities held-to-maturity	599	1,419
Unrealised gain on revaluation of securities held-for-trading	-	(2)
Allowance for bad and doubtful debts and financing	8,999	6,260
Depreciation on property, plant and equipment	57	22
Amortisation of intangible assets	482	121
Transfer from profit equalisation reserve	(501)	(5,206)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	53,436	48,806
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:-</i>		
Deposits and placements with banks and other financial institutions	-	140,000
Securities held-for-trading	-	60,660
Financing, advances and other loans	(510,141)	264,625
Statutory deposits with Bank Negara Malaysia	(40,300)	33,000
Other assets	(99,260)	(19,569)
<i>Increase/(decrease) in operating liabilities:-</i>		
Deposits from customers	885,194	671,689
Deposits and placements of banks and other financial institutions	1,778,473	313,237
Bills and acceptances payable	(23,689)	21,676
Other liabilities	(325,308)	(636,307)
Cash generated from operations	1,718,405	897,817
Tax and zakat paid	(19,966)	(2,264)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,698,439	895,553

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 (continued)

	GROUP	
	2007 RM'000	2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposal/(purchase) of securities		
- securities available-for-sale	(383,793)	169,654
- securities held-to-maturity	90,000	574
Purchase of property, plant and equipment	(142)	(96)
Interest received from securities		
- securities available-for-sale	5,556	707
- securities held-to-maturity	2,003	4,859
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(286,376)	175,698
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers of capital fund, reserves and retained profits to conventional book	(87,376)	(330,784)
Proceed from issue of shares	-	160,000
NET CASH USED IN FINANCING ACTIVITIES	(87,376)	(170,784)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,324,687	900,467
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,207,863	1,307,396
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,532,550	2,207,863
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 54(b))	3,532,550	2,207,863



## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (a) Disclosure of Syariah Advisor

The Group engages the services of the Syariah Advisory Council of AFFIN Holdings Group for advice with respect to Islamic banking products, transactions and business dealings involving the Group. The council members comprise of three qualified Syariah professionals who meet up with the members of the Islamic banking Unit of each financial institution in the Group.

The roles and responsibilities of the Syariah Advisory Council are as follows:

- (i) Providing advisory services and as well as certifying and approving Islamic banking products and transactions.
- (ii) Reviewing and endorsing the Islamic banking Annual Report.

## (b) Cash and short-term funds

	GROUP	
	2007 RM'000	2006 RM'000
Cash and bank balances with banks and other financial institutions	6,290	7,953
Money at call and deposits placements maturing within one month	3,526,260	2,199,910
	3,532,550	2,207,863

## (c) Securities

Securities available-for-sale

Malaysian Government Investment Issuance	24,784	68,879
Malaysian Government Treasury Bills	279,246	102,957
Bank Negara Malaysia Notes	200,254	123,713
Islamic Acceptance Bills	72,514	41,594
Negotiable Instruments of Deposit	-	29,263
Quoted		
- Islamic Khazanah Bonds	-	14,882
Unquoted		
- Private Debts Securities	197,452	-
Total securities available-for-sale	774,250	381,288

Securities held-to-maturity

Unquoted		
- Private Debt Securities	-	90,600
Total securities held-to-maturity	-	90,600
TOTAL SECURITIES	774,250	471,888

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (d) Financing, advances and other loans

	GROUP	
	2007 RM'000	2006 RM'000
<b>BY TYPE</b>		
Cash line	171,901	94,263
Term financing		
- Housing financing	1,517,539	1,032,244
- Syndicated term financing	349,942	-
- Hire purchase receivables	599,925	342,368
- Other term financing	492,916	368,438
Bills financing	8,037	7,070
Trust receipts	64,895	69,578
Interest-free accepted bills	54,259	49,282
Staff financing (RM Nil to directors)	11,452	14,074
Revolving credit	3,024	3,024
	<b>3,273,890</b>	<b>1,980,341</b>
Less: Unearned income	<b>(1,506,080)</b>	<b>(720,664)</b>
	<b>1,767,810</b>	<b>1,259,677</b>
Gross financing, advances and other loans		
Less: Allowance for bad and doubtful financing		
- General	(26,485)	(21,893)
- Specific	(7,170)	(4,770)
	<b>1,734,155</b>	<b>1,233,014</b>
<b>FINANCING OF CUSTOMERS ANALYSED BY CONCEPTS</b>		
Al Bai' Bithaman Ajil	989,881	767,873
Al-Murabahah	1,234	1,461
Al-Ijarah Thumma Al-Bai'	487,691	278,807
Other principles	289,004	211,536
	<b>1,767,810</b>	<b>1,259,677</b>

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (d) Financing, advances and other loans (continued)

	GROUP	
	2007 RM'000	2006 RM'000
<b><u>BY TYPE OF CUSTOMERS</u></b>		
Domestic non-banking institutions		
- Others	11,259	60
Domestic business enterprises		
- Small medium enterprise	362,352	211,023
- Others	193,887	181,672
Government and statutory bodies	35,568	51,881
Individuals	1,093,088	756,622
Other domestic entities	9,398	28,165
Foreign entities	62,258	30,254
	<b>1,767,810</b>	<b>1,259,677</b>
<b><u>BY PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
- Housing financing	364,417	434,428
- Hire purchase receivables	487,691	278,807
- Other fixed rate financing	426,416	491,366
Variable rate		
- BLR plus	487,705	47,347
- Cost plus	1,581	7,729
	<b>1,767,810</b>	<b>1,259,677</b>
<b><u>BY ECONOMIC PURPOSE</u></b>		
Purchase of securities	5,405	5,873
Purchase of transport vehicles	496,390	278,087
Purchase of landed property of which		
- Residential	636,864	470,279
- Non-residential	56,504	47,468
Personal use	29,380	7,298
Consumer durable	55	61
Construction	20,222	10,608
Working capital	364,699	15,748
Others	158,291	424,255
<b>Total</b>	<b>1,767,810</b>	<b>1,259,677</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (d) Financing, advances and other loans (continued)

##### NON-PERFORMING FINANCING ("NPF")

##### Movements in non-performing financing, advances and other loans (including income receivables)

	GROUP	
	2007 RM'000	2006 RM'000
Balance at beginning of financial year	39,150	481,426
Balance transferred to conventional book	-	(476,021)
Classified as non-performing during the financial year	56,440	71,439
Reclassified as performing during the financial year	(52,642)	(31,981)
Amount written-back in respect of recoveries	(5,169)	(5,025)
Amount written-off	-	(688)
	<hr/>	<hr/>
Balance at end of financial year	37,779	39,150
Less: Specific allowance	(7,170)	(4,770)
	<hr/>	<hr/>
Net non-performing financing, advances and other loans ("NPF")	30,609	34,380
	<hr/>	<hr/>
Net NPF as a % of gross financing, advances and other loans less specific allowance	1.74%	2.74%

##### Movement in allowance for bad and doubtful financing

##### General allowance

Balance at beginning of financial year	21,893	28,717
Balance transferred to conventional book	-	(6,824)
Allowance made during the financial year	6,600	-
Amount written-back during the financial year	(2,008)	-
	<hr/>	<hr/>
Balance at end of financial year	26,485	21,893
	<hr/>	<hr/>
As % of gross financing, advances and other loans less specific allowance	1.50%	1.74%

##### Specific allowance

Balance at beginning of financial year	4,770	102,147
Balance transferred to conventional book	-	(103,472)
Allowance made during the financial year	3,248	6,912
Amount written-off	-	(165)
Amount written-back in respect of recoveries	(848)	(652)
	<hr/>	<hr/>
Balance at end of financial year	7,170	4,770

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (d) Financing, advances and other loans (continued)

	GROUP	
	2007 RM'000	2006 RM'000
<b><u>Non-performing financing, advances and other loans by sector</u></b>		
Primary agriculture	65	–
Mining and quarrying	40	–
Manufacturing	6,267	6,054
Construction	307	150
Wholesale and retail trade, and restaurants and hotels	137	–
Finance, insurance, real estate and business activities	512	208
Education, health and others	1,933	2,125
Household	28,518	29,798
Others	–	815
Total	37,779	39,150

**Non-performing financing, advances and other loans by economic purpose**

Purchase of securities	2	11
Purchase of transport vehicles	7,551	6,880
Purchase of landed property of which		
- Residential	20,423	21,963
- Non-residential	3,009	3,502
Personal use	58	93
Working capital	3,646	–
Construction	2,230	2,190
Others	860	4,511
Total	37,779	39,150

## (e) Other assets

Accrued interest receivable	9,691	4,666
Clearing account	116,761	–
Other debtors, deposits and prepayments	9,224	31,750
Total	135,676	36,416

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (f) Property, plant and equipment

GROUP	Renovations RM'000	Furniture and equipment RM'000	Computers RM'000	Motor vehicle RM'000	Total RM'000
<b>2007</b>					
<u>Cost</u>					
At 1 January	-	17	191	-	208
Transferred to conventional banking	-	-	(4)	-	(4)
Additions	-	63	79	-	142
Write-off	-	-	-	-	-
At 31 December	-	80	266	-	346
<u>Accumulated Depreciation</u>					
At 1 January	-	-	20	-	20
Transferred to conventional banking	-	-	(4)	-	(4)
Charge for the financial year	-	6	51	-	57
Write-off	-	-	-	-	-
At 31 December	-	6	67	-	73
<u>Net book value</u>					
At 31 December	-	74	199	-	273

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (f) Property, plant and equipment (continued)

GROUP	Renovations RM'000	Furniture and equipment RM'000	Computers RM'000	Motor vehicle RM'000	Total RM'000
<b>2006</b>					
<b><u>Cost</u></b>					
At 1 January	31	14	65	79	189
Vested over from AFFIN Bank Berhad ("ABB") to AFFIN Islamic Bank Berhad ("AISB")	–	1	107	–	108
Additions	–	16	80	–	96
Write-off	(31)	(14)	(61)	(79)	(185)
At 31 December	–	17	191	–	208
<b><u>Accumulated Depreciation</u></b>					
At 1 January	31	14	51	79	175
Vested over from ABB to AISB	–	–	8	–	8
Charge for the financial year	–	–	22	–	22
Write-off	(31)	(14)	(61)	(79)	(185)
At 31 December	–	–	20	–	20
<b><u>Net book value</u></b>					
At 31 December	–	17	171	–	188

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (g) Intangible assets

	GROUP	
	2007 RM'000	2006 RM'000
Computer Software		
<b><u>Cost</u></b>		
At 1 January	2,711	296
Vested over from AFFIN Bank Berhad to AFFIN Islamic Bank Berhad	–	2,415
Transferred to conventional banking	(296)	–
At 31 December	2,415	2,711
<b><u>Accumulated Amortisation</u></b>		
At 1 January	619	296
Vested over from AFFIN Bank Berhad to AFFIN Islamic Bank Berhad	–	202
Transferred to conventional banking	(296)	–
Charge for the financial year	482	121
At 31 December	805	619
<b><u>Net book value</u></b>		
At 31 December	1,610	2,092

#### (h) Deposits from customers

##### BY TYPE OF DEPOSIT

##### Non-Mudharabah Funds:-

Demand deposits	1,415,404	1,371,377
Savings deposits	183,216	149,542
Negotiable instruments of deposit	82,215	770,899

##### Mudharabah Funds:-

Saving deposits	5,792	5,700
General investment deposits	798,415	412,515
Special investment deposits	1,223,571	113,387
	3,708,613	2,823,420



## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (h) Deposits from customers (continued)

	GROUP	
	2007 RM'000	2006 RM'000
<b>BY TYPE OF CUSTOMER</b>		
Government and statutory bodies	2,098,748	676,936
Business enterprise	675,484	651,413
Individuals	262,781	204,675
Others	671,600	1,290,396
	<b>3,708,613</b>	<b>2,823,420</b>

## (i) Deposits and placements of banks and other financial institutions

Mudharabah Funds

Licensed banks	189,000	–
Bank Negara Malaysia	4,715	–
Other financial institutions	1,885,208	300,450
	<b>2,078,923</b>	<b>300,450</b>

Included in the deposits and placements of banks and other financial institution is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the AFFIN Bank Berhad amounting to RM13 million for the tenure of 8 months and at a profit-rate of 4.13% per annum. The RPSIA is a contract based on the Mudharabah concept between two parties to finance a business venture whereby the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on a predetermined ratio, and in the event of a business loss, the loss will be borne solely by the provider of the capital.

Based on BNM's circular dated 12 January 2007, RPSIA placement by the parent institution is recognised as part of the capital base for Single Customer Limit computation purposes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (j) Other liabilities

	GROUP	
	2007 RM'000	2006 RM'000
Accrued income payable	17,719	3,809
BNM and Credit Guarantee Corporation Funding programmes	40	39
Clearing account	–	51,512
Margin and collateral deposits	3,795	4,482
Other creditors and accruals	8,722	16,761
Profit equalisation reserve #	–	501
Accrued employee benefits	30	20
Defined contribution plan	128	–
Amount due to holding company*	207,611	485,036
	<b>238,045</b>	<b>562,160</b>

#### # Profit equalisation reserve

At beginning of the financial year	501	5,707
Balance transferred to conventional book	–	(5,707)
Provided during the financial year	–	1,001
Written-back during the financial year	(501)	(500)
At end of the financial year	–	501

\* This represents the amount due from AFFIN Islamic Bank Berhad to AFFIN Bank Berhad, which is unsecured, bears interest at 3.58% (2006: 3.67%) per annum and has no fixed terms of repayment.

#### (k) Islamic Banking Capital Funds

	GROUP	
	2007 RM'000	2006 RM'000
Share capital	160,000	160,000
Capital funds allocated from conventional banking	–	50,000
Reserves		
- Investment fluctuation reserves	(401)	128
- Statutory reserve	38,004	40,223
- Retained profits	38,004	30,362
	<b>235,607</b>	<b>280,713</b>

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (l) Income from Islamic banking operations

	GROUP	
	2007	2006
	RM'000	RM'000
Income derived from investment of depositors' funds	227,404	148,775
Income attributable to depositors	(124,647)	(69,342)
Income derived from the investment of Islamic Banking Capital Funds	12,636	15,432
	115,393	94,865

## (m) Income derived from investment of depositors' funds and others

Income derived from investment		
- General investment deposits*	126,482	30,874
- Other deposits	100,922	117,901
	227,404	148,775

\* Includes the profit earned from investment of Restricted Profit Sharing Investment Account in financing, advances and other loans of RM250,000 (2006: RM Nil)

## (n) Income derived from investment of general investment deposits

Finance income and hibah:-		
Financing, advances and other loans	54,430	16,963
Securities		
- Available-for-sale	2,944	145
- Held-to-maturity	1,062	925
Money at call and deposits with financial institutions	58,701	8,767
	117,137	26,800
Accretion of discount less amortisation of premium	4,922	2,648
Net income	122,059	29,448
Fee and commission income		
- Commission	1,036	512
- Service charges and fees	1,400	279
- Guarantee fees	440	142
	2,876	933
Gain from sale of securities available-for-sale	-	11

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (n) Income derived from investment of general investment deposits (continued)

	GROUP	
	2007 RM'000	2006 RM'000
Other income		
- Foreign exchange gain/(loss)		
- realised	659	(228)
- unrealised	705	668
- Other non-operating income	183	42
	<hr/>	<hr/>
	1,547	482
	<hr/>	<hr/>
	126,482	30,874
	<hr/>	<hr/>

#### (o) Income derived from investment of other deposits

Finance income and hibah:-		
Financing, advances and other loans	43,431	64,375
Securities		
- Available-for-sale	2,349	486
- Held to-maturity	847	3,519
Money at call and deposits with financial institutions	46,838	33,940
	<hr/>	<hr/>
	93,465	102,320
Accretion of discount less amortisation of premium	3,928	10,033
	<hr/>	<hr/>
Net income	97,393	112,353
	<hr/>	<hr/>
Fee and commission income		
- Commission	826	1,897
- Service charges and fees	1,117	1,152
- Guarantee fees	351	456
	<hr/>	<hr/>
	2,294	3,505
	<hr/>	<hr/>
Gain from sale of securities available-for-sale	-	43
	<hr/>	<hr/>
Other income		
- Foreign exchange gain/(loss)		
- realised	526	(950)
- unrealised	563	2,788
- Other non-operating income	146	162
	<hr/>	<hr/>
	1,235	2,000
	<hr/>	<hr/>
	100,922	117,901
	<hr/>	<hr/>

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (p) Allowance for losses on financing

	GROUP	
	2007 RM'000	2006 RM'000
Specific allowance		
- made in the financial year	3,248	6,912
- written-back	(848)	(652)
General allowance (net)	4,592	-
Bad debts and financing		
- written-off/(write-back)	146	(90)
- recovered	-	(41)
	7,138	6,129

## (q) Income attributable to depositors

Deposits from customers		
- Mudharabah Fund	48,593	13,228
- Non-Mudharabah Fund	24,251	24,640
Deposits and placement of banks and other financial institution		
- Mudharabah Fund	44,130	5,744
Others	7,673	25,730
	124,647	69,342

## (r) Income derived from investment of Islamic Banking Capital Funds

Finance income and hibah:-		
Financing, advances and other loans	5,028	8,490
Securities		
- Available-for-sale	262	76
- Held to-maturity	94	415
Money at call and deposits with financial institutions	6,512	5,087
	11,896	14,068
Accretion of discount less amortisation of premium	437	1,198
Net income	12,333	15,266
Fee and commission income		
- Commission	92	238
- Service charges and fees	124	112
- Guarantee fees	39	76
- Others	(90)	5
	165	431

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (r) Income derived from investment of Islamic Banking Capital Funds (continued)

	GROUP	
	2007 RM'000	2006 RM'000
Gain/(loss) from sale/redemption of securities		
- Held-for-trading	-	(468)
- Available-for-sale	-	10
	-	(458)
Unrealised gain on revaluation of securities held-for-trading	-	2
Other income		
- Foreign exchange gain/(loss)		
- realised	59	(89)
- unrealised	63	262
- Other non-operating income	16	18
	138	191
	12,636	15,432

#### (s) Other operating expenses

##### Personnel costs

Wages, salaries and bonus	4,103	2,735
Defined contribution plan	652	429
Other personnel costs	878	230
	5,633	3,394

##### Promotion and marketing-related expenses

Business promotion and advertisement	275	195
Entertainment	69	44
Travelling and accommodation	158	65
Dealers' handling fees	3,472	1,276
Others	82	70
	4,056	1,650

## 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

## (s) Other operating expenses (continued)

	GROUP	
	2007 RM'000	2006 RM'000
<u>Establishment-related expenses</u>		
Rental of premises	174	–
Equipment rental	–	17
Repair and maintenance	120	121
Depreciation of property, plant and equipment	57	22
Amortisation of intangible assets	482	121
Others	415	419
	<u>1,248</u>	<u>700</u>
 <u>General and administrative expenses</u>		
Telecommunication expenses	22	11
Auditors' remuneration	137	110
Professional fees	2,327	654
Others	34,089	20,543
	<u>36,575</u>	<u>21,318</u>
 Total other operating expenses	<u>47,512</u>	<u>27,062</u>

## (t) Capital adequacy

<b>Tier 1 Capital</b>		
Islamic banking funds	160,000	210,000
Retained profits	38,004	30,362
Statutory reserves	38,004	40,223
	<u>236,008</u>	<u>280,585</u>
Less:-		
Deferred tax assets	(6,071)	–
Total Tier 1 Capital	<u>229,937</u>	<u>280,585</u>
 <b>Tier 2 Capital</b>		
General allowance for bad and doubtful financing	26,485	21,893
Total Tier 2 Capital	<u>26,485</u>	<u>21,893</u>
 Capital base	<u>256,422</u>	<u>302,478</u>
 Core capital ratio	11.83%	18.25%
Risk-weighted capital ratio	13.19%	19.67%

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2007

### 54 THE OPERATIONS OF ISLAMIC BANKING (continued)

#### (t) Capital adequacy (continued)

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:-

	GROUP			
	<----- 2007 ----->		<----- 2006 ----->	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
0%	4,597,606	-	3,008,836	-
10%	-	-	-	-
20%	318,515	63,703	229,885	45,977
50%	595,854	297,927	463,199	231,600
100%	1,529,153	1,529,153	1,258,664	1,258,664
	<b>7,041,128</b>	<b>1,890,783</b>	<b>4,960,584</b>	<b>1,536,241</b>
Market risk	-	53,380	-	1,571
	<b>7,041,128</b>	<b>1,944,163</b>	<b>4,960,584</b>	<b>1,537,812</b>

#### (u) Commitments and contingencies

	GROUP					
	<----- 2007 ----->			<----- 2006 ----->		
	Principal Amount RM'000	Credit equivalent Amount RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Credit equivalent Amount RM'000	Risk- Weighted Amount RM'000
Direct credit substitutes	112,605	112,605	112,605	49,100	49,100	49,100
Transaction-related contingent items	111,299	55,650	55,650	72,297	36,149	36,149
Short-term self-liquidating trade-related contingencies	3,028,870	605,774	14,076	3,607,445	721,489	165,796
Obligation under underwriting agreements	-	-	-	176,000	88,000	88,000
Irrevocable commitments to extend credit						
- maturity exceeding 1 year	189,552	94,776	82,907	41,821	20,911	18,693
- maturity not exceeding 1 year	474,728	-	-	282,078	-	-
	<b>3,917,054</b>	<b>868,805</b>	<b>265,238</b>	<b>4,228,741</b>	<b>915,649</b>	<b>357,738</b>



# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Lodin bin Wok Kamaruddin and Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to 166 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 February 2008.

**TAN SRI DATO' LODIN BIN WOK KAMARUDDIN**  
DIRECTOR

**MAJ. GEN. (R) DATO' MOHAMED ISA BIN CHE KAK**  
DIRECTOR

Kuala Lumpur

# DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 44 to 166 are 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.

**LEE YOKE KIOW**

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 29 February 2008, before me.

COMMISSIONER FOR OATHS

# REPORT OF THE AUDITORS

To the Members of AFFIN Holdings Berhad (Company No. 23218-W)

We have audited the financial statements set out on pages 44 to 166. These financial statements are the responsibility of the Company's directors. Our responsibility is to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and MASB Approved Accounting Standards for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and the Company as at 31 December 2007 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 9 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**PRICEWATERHOUSECOOPERS**  
(No. AF: 1146)  
Chartered Accountants

**MOHAMMAD FAIZ BIN MOHAMMAD AZMI**  
(No. 2025/03/08 (J))  
Partner of the firm

Kuala Lumpur  
29 February 2008

# ADDITIONAL DISCLOSURE

Pursuant to Listing Requirements

The information set out below is disclosed in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"):

## 1. Utilisation of proceeds from corporate proposal

The proceeds raised from the issuance of Medium Term Notes ("MTNs") in the previous year had been utilised to refinance the Company's term loan facilities as intended.

## 2. Share buy-backs during the financial year

The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2007.

## 3. Options, warrants or convertible securities exercised

No options, warrants or convertible securities were issued by the Company or exercised during the financial year ended 31 December 2007, except for the exercise of share options under AFFIN Holdings Berhad's Employees' Share Options Scheme as disclosed in Note 26 to the financial statements.

## 4. Sanctions / penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, directors and management by the relevant regulatory bodies during the financial year ended 31 December 2007.

## 5. Non-audit fees

	GROUP RM'000	COMPANY RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2007	318	51

## 6. Variation in result

There were no profit estimate, forecast and projection issued by AFFIN Holdings Berhad and its subsidiary companies during the financial year ended 31 December 2007.

## 7. Profit guarantee

There were no profit guarantees given by the Company and its subsidiaries during the financial year ended 31 December 2007.

## 8. Revaluation policy of landed properties

The Group does not revalue its landed properties classified as Property, Plant and Equipment.

## 9. Material contracts

On 18 September 2007, AFFIN Holdings Berhad ("AHB") entered into a Conditional Share Subscription Agreement ("SSA") with The Bank of East Asia, Limited ("BEA") pursuant to the proposed placement of new ordinary shares of RM1.00 each ("Placement Shares") representing up to 15% of the issued and paid-up capital in AHB to BEA and/or its affiliates for a cash consideration of RM2.58 per AHB share.

With the listing of and quotation for 193,201,626 placement shares on the Main Board of BMSB, the SSA is deemed completed on 25 October 2007.

## ADDITIONAL DISCLOSURE (CONTINUED)

### 10. Recurrent related party transactions of a revenue or trading nature

At the Annual General Meeting held on 13 April 2007, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 4.1.5 of Practise Note No. 12/2001 of the BMSB Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2007 pursuant to the Shareholders' Mandate are disclosed as follows:

Name of company	Related Company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Holdings Berhad	Boustead Management Services Sdn Bhd	Provision of share registrar services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad (Boustead)	171
	Irat Hotels & Resorts Sdn Bhd (Irat)	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	632
	Boustead Travel Services Sdn Bhd (Boustead Travel)	Provision of travelling related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	-
	Azzat & Izzat	Legal fees	<u>Interested Director</u> Datuk Azzat bin Kamaludin	42
	Boustead Hotels & Resort Sdn Bhd	Hotel facilities and refreshment	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	13

## ADDITIONAL DISCLOSURE (CONTINUED)

### 10. Recurrent related party transactions of a revenue or trading nature (continued)

Name of company	Related Company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
	Boustead Advertising Sdn Bhd (Boustead Advertising)	Artwork and material charges for printing of annual report and other services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	4
AFFIN Bank Berhad	Perbadanan Perwira Niaga Malaysia	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	83
	Boustead Travel	Provision of travelling related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	1,033
	Boustead Properties Berhad	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every five (5) years	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	9,636
	LTAT	Rental payment for rental of office premises payable monthly for a lease term renewable every three (3) years	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	985

## ADDITIONAL DISCLOSURE (CONTINUED)

### 10. Recurrent related party transactions of a revenue or trading nature (continued)

Name of company	Related Company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
	Boustead Curve Sdn Bhd (Boustead Curve)	Rental payment for rental of office premises payable monthly for a lease term renewable every three (3) years	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	267
	Azzat & Izzat	Legal fees	<u>Interested Director</u> Datuk Azzat bin Kamaludin	76
AFFIN Insurance Brokers Sdn Bhd	LTAT	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	145
AFFIN-ADB Sdn Bhd (formerly known as AFFIN Discount Berhad)	Boustead Realty Sdn Bhd (Boustead Realty)	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	39
AFFIN Moneybrokers Sdn Bhd	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> LTAT and Boustead	287
	Boustead Advertising	Artwork and material charges for printing of annual report	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	1

ADDITIONAL DISCLOSURE (CONTINUED)

10. Recurrent related party transactions of a revenue or trading nature (continued)

Name of company	Related Company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
			<u>Interested Major Shareholders</u> LTAT and Boustead	
	Boustead Travel	Provision of travelling related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	74
			<u>Interested Major Shareholders</u> LTAT and Boustead	
AFFIN Fund Management Berhad (formerly known as AFFIN Fund Management Sdn Bhd)	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	209
			<u>Interested Major Shareholders</u> LTAT and Boustead	
	LTAT	Management fees	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	106
			<u>Interested Major Shareholders</u> LTAT and Boustead	
AFFIN Trust Management Berhad	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	112
			<u>Interested Major Shareholders</u> LTAT and Boustead	
AFFIN Investment Bank Berhad	Boustead Travel	Provision of travelling related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	701

## ADDITIONAL DISCLOSURE (CONTINUED)

### 10. Recurrent related party transactions of a revenue or trading nature (continued)

Name of company	Related Company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
			<u>Interested Major Shareholders</u> LTAT and Boustead	
	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	1,918
			<u>Interested Major Shareholders</u> LTAT and Boustead	
	Boustead Petroleum Marketing Sdn Bhd	Petrol consumption	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	20
			<u>Interested Major Shareholders</u> Boustead and LTAT	
	Boustead Advertising	Artwork and material charges for printing for signing ceremonies and other services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	–
			<u>Interested Major Shareholders</u> Boustead and LTAT	
	Boustead Curve	Rental payment for rental of office premises, car parking and utilities charges monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin	248
			<u>Interested Major Shareholders</u> Boustead and LTAT	



## ADDITIONAL DISCLOSURE (CONTINUED)

### 10. Recurrent related party transactions of a revenue or trading nature (continued)

Name of company	Related Company	Nature of transaction	<u>Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders</u>	Value of Transaction RM'000
	Irat	Rental payment for rental of office premises, car parking and utilities charges monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> Boustead and LTAT	2,592
AXA AFFIN Life Insurance Berhad	Irat	Rental payment for rental of office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin, Raja Dato' Seri Aman bin Raja Haji Ahmad and Datuk Azzat bin Kamaludin  <u>Interested Major Shareholders</u> Boustead and LTAT	1,332
	AXA Asia Pacific Ltd	Provision of information technology support services	<u>Interested Directors</u> Mark Pearson, David William Mathews, Clare Duggan  <u>Interested Major Shareholder</u> AXA Asia Pacific Ltd	1,991
				<b>22,717</b>

# PARTICULARS OF PROPERTIES

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
1	HS(M) 6367 PT 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka Pahang	Vacant land/ Branch premises (Jengka)	Leasehold 99 years Exp: 21/08/2091	Land - 20,056	17	490,402.60
2	HS(D) 39216 K1 PT 2068 Mukim & District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara, Section 1 Batu 7 1/2, Jln Puchong 58200 Selangor	3 storey basement shopoffice/ Branch premises (Kinrara)	Leasehold Exp: 27/08/2091	Land - 3,900 Built-up - 15,600	13	1,620,551.20
3	Town Lease No. 017541374 & 017541383 Lots 82 & 83 Blok K Mukim of Karamuning District of Kota Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jln Juara Ikan 3 Karamuning 88300 Kota Kinabalu, Sabah	4 storey shopoffice/ Branch premises (Kota Kinabalu)	Leasehold 999 years Exp: 21/01/2901	Land - 2,780 Built-up - 10,144	14	2,418,195.11
4	PT 3686 HS(D) 5167 PT 3687 HS(D) 5168 Mukim 1, District Seberang Perai Tengah, Penang	No. 10, Jln Todak 1 Pusat Bandar Seberang Jaya 13700 Perai, Penang	4 storey shopoffice/ Branch premises (Seberang Jaya)	Leasehold 99 years Exp: 21/10/2092	Land - 3,681 Built-up - 13,716	11	2,012,223.92
5	HS(D) 52849, 52850 52988 & 52989 PT 2, 3, 6620 & 6621 Mukim of Batu District of W. Persekutuan	No. 81, 83 & 85 Jln 2/3A Pusat Pasar Borong KM12, Jln Ipoh 68100 Bt. Caves Kuala Lumpur	3 units of 4 storey shopoffice/ Branch premises (Selayang)	Leasehold 99 years Exp: 01/01/2086	Land - 4,950 Built-up - 16,733	12	1,141,071.53
6	Lot 2387 & 2388 Block 5 District of Miri	Lot 2387 & 2388 Jln Boulevard 1A Boulevard Commercial Centre, 3KM, Jln Miri- Pujut, 98000 Miri Sarawak	2 units of 3 storey shopoffice/ Branch premises (Miri)	Leasehold 60 years Exp: 21/01/2050	Land - 3,190 Built-up - 8,371	11	980,180.06
7	Precint 3.4, Pusat Bandar Shah Alam, Seksyen 14 HS(D) 143324, PT 18 Seksyen 14 Bandar Shah Alam Selangor	Precint 3.4 Pusat Bandar Shah Alam	Vacant comm. land/ Proposed H.Q (Bangunan Shah Alam)	Leasehold 99 years	Land - 32,561	8	48,158,753.86
8	Lot (PT) 34827 HS(M) 18, 32987 Mukim of Ampang District of Ulu Langat	No. 1 & 3 Jalan Pandan Indah 4/2 Pandan Indah 55100 Kuala Lumpur	2 units of 3 1/2 s/apartment/ Unoccupied branch premises	Leasehold 99 years Exp: 14/04/2087	Land - 4,843 Built-up - 16,227	14	3,633,235.32

PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
9	Title No. 111/10/1825 Lot No. 1825, District of Kuching Central Land	Lot 1825, Blok 10 Lorong Green 1 Kuching, Sarawak	Double storey bungalow/ Branch mgr's residence (Kuching)	Leasehold 60 years Exp: 21/02/2038	Land - 7,606 Built-up - 2,500	11	206,667.31
10	HS(M) 14862 & 14863 PT 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	29 & 31, Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang Selangor	2 units of 4 storey shopoffice/ Branch premises (Kelang Utara)	Leasehold 99 years Exp: 08/05/2093	Land - 3,300 Built-up - 13,200	10	2,962,951.45
11	Sub-Lot 13, Lot 3060 District of Bintulu	Sub Lot 13, Off Lot 3299 Bintulu Town District Off Jln Diwarta 97000 Bintulu, Sarawak	1 unit of 3 storey shopoffice/ Branch premises (Bintulu)	Leasehold 60 years	Land - 3,240 Built-up - 9,720	10	741,209.64
12	PTD 62642 & 62643 HS (D) 227069 & 227070 Mukim of Pulau District of Johor Bahru	No. 49 & 51 Jalan Sri Perkasa 2/1 Tmn Tampoi Utama 81200 Tampoi JB, Johor	2 adjacent lots/ Branch premises (Tampoi)	Leasehold 99 years Exp: 13/04/2094	Land - 5,468 Built-up - 10,710	10	1,423,608.23
13	Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842 BT 4 1/2, Jln Ipoh 51200 Kuala Lumpur	4 1/2 storey building with basement/ Branch premises relocation (Batu Cant)	Leasehold 60 years Exp: 13/01/2037	Land - 3,081 Built-up - 9,243	22	1,908,455.08
14	HS(D) 96849 (30438 new), Lot/PT 6536 (28035 new) Mukim of Setapak District and State of Wilayah Persekutuan	No. 2, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur (C7/S0/86-1, C7/S0/86-2 C7/S0/86-4 & C7/S0/86-3) (Wangsa Maju)	4 storey shopoffice (Corner unit)/ Branch premises relocation (Wangsa Maju)	Leasehold 99 years	Land - 4,480 Built-up - 14,920	9	2,943,004.56
	HS(D) 96848 (30437 new), Lot/PT 6537 (28034 new) Mukim of Setapak District and State of Wilayah Persekutuan	No. 4, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur (C7/S0/85-1, C7/S0/85-2 & C7/S0/85-3)					
15	HS(M) 6836 P.T. 14531 Mukim of Damansara District of Petaling	No. 101, 201, 301, 401 & 501, Block C Menara Glomac Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor	Branch premises (Kelana Jaya)	Leasehold	n/a	7	9,100,052.67

## PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
16	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam	No. 11 & 12, Kompleks Perdagangan UMNO Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	2 units of 4 storey shopoffice/ Branch premises (Kompleks PKNS)	Leasehold 99 years	Land - 1,650 Built-up - 8,000	7	2,258,403.12
17	HS(D) 9980 PT 4370 Mukim & District of Port Dickson	Unit B-L3-06 Paradise Lagoon Batu 2, Jalan Pantai 71000 Port Dickson Negeri Sembilan	2 bedrooms condominium (Type D)/Holiday resort apartment	Leasehold 99 years	n/a	7	164,854.60
18	HS(D) 1772 PT 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment 13B & 19A, Baiduri Apartment, KM 28 Jalan Kemaman-Dungun 24100 Kijal, Terengganu	2 rooms (1 unit) & 3 rooms (1 unit) Holiday resort apartment	Leasehold 99 years	n/a	7	358,096.88
19	HS(D) 67297 & 74283 Lot 9498 & 10908 Mukim of Batu District of Wilayah Persekutuan Negeri Wilayah Persekutuan	No. 5, Jalan 2/23B MWE Kepong Commercial Park, Off Jalan Kepong 52100 Kuala Lumpur	1 unit of 4 storey shopoffice/ Unoccupied branch premises (Kepong Comm Park)	Leasehold 99 years	Land - 1,650 Built-up - 6,200	7	862,826.73
20	Lot 1894 Title No. 1289 & Lot 1895 Title No. 1290, Daerah & Bandar Kuala Terengganu, Negeri Terengganu	No. 63 & 63A Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu	2 units of 3 storey shophouse/ Branch premises Kuala Terengganu CRC/HPC	Leasehold 99 years Exp: 18/12/2048	Land - 4,171	7	1,777,945.63
21	HS(D) 4705 & 4706 District of Melaka Tengah	200 & 201 Taman Melaka Raya Off Jalan Parameswara 75000 Melaka	2 units of 3 storey shophouses/ Branch premises (Melaka Raya)	Leasehold 90 years Exp: 19/12/2075	Land - 4,430 Built-up - 10,031	27	542,697.25
22	Lot 247 & 248, Sec. 49 Lease of State Land	Lots 247 & 248, Sec. 49 KTLD, Jalan Tunku Abdul Rahman 93100 Kuching, Sarawak	2 units of 4 storey shophouses/ Branch premises (Kuching)	Leasehold 56 years Exp: 24/07/2044	Land - 2,500	21	1,106,848.65
23	Town Lease 117509707 Sabah Land	Lot 14, Block B, MDLD 3679 Metro Commercial Complex, 91110 Lahad Datu, Sabah	3 storey shophouse/ Branch premises	Leasehold 89 years Exp: 31/12/2085	Land - 1,200 Built-up - 3,600	12	526,668.23
24	Town Lease No. 017541276 Sabah Land	Lot No. 72, Block J Sadong Jaya Karamunsing 88200 Kota Kinabalu	4 storey shophouse/ Unoccupied branch premises	Leasehold 999 years Exp: 15/11/3002	Land - 1,150 Built-up - 4,726	19	658,458.28

PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
25	Town Lease No. 077527176 Sabah Land	Lot No. 1, Block B Bandar Ramai-Ramai Mile 1, Jalan Leila 90000 Sandakan, Sabah	4 storey shophouse/ Unoccupied branch premises	Leasehold 999 years Exp: 13/11/3085	Land - 1,200 Built-up - 4,608	29	331,408.93
26	Lot 117, Section 12 Kuching Town Land	Lot 117, Section 12 Bangunan Ejawaris Jalan Haji Taha 93400 Kuching, Sarawak	4 storey shophouse/ Unoccupied branch premises	Leasehold 99 years Exp: 30/06/2080	Land - 1,400 Built-up - 5,600	25	319,554.34
27	Town Lease No. 492(1) Lot No. 516 Miri Concession Land	Lot 516, Block 9 Jalan Merbau 98000 Miri, Sarawak	3 storey shophouse/ Unoccupied branch premises	Leasehold 60 years Exp: 31/01/2048	Land - 1,181 Built-up - 3,540	19	380,230.18
28	Town Lease No. 1147 Lot No. 2307	21, Bintulu Town Extension Centre 97000 Bintulu, Sarawak	4 storey shophouse/ Unoccupied branch premises	Leasehold 60 years Exp: 31/01/2044	Land - 1,300 Built-up - 5,048	19	431,376.81
29	HS(D) 5217 P.T. 90 Section 1 Town of Port Swethenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor Darul Ehsan	4 storey shophouse/ Branch premises (Port Klang)	Freehold	Land - 3,000 Built-up - 12,768	26	527,052.12
30	HS(D) 3304 & 9274 Lot 1856 & 1857 District of Ipoh	No. 11 & 13, Jln Kampar 30250 Ipoh Perak	2 units 3 storey shopoffice/ Unoccupied (Ipoh)	Freehold	Land - 3,480 Built-up - 10,320	19	322,032.20
31	HS(D) 892 PT 6727/24 Mukim of Kuala Kuantan District of Kuantan	No. 1, Jln Tun Dr Ismail P.O. Box 354 25740 Kuantan Pahang	3 1/2 storey shopoffice/ Branch premises (Kuantan)	Freehold	Land - 3,367 Built-up - 12,800	16	577,504.20
32	Lot 223, Sec 11 Lot 224, Sec 11 Kuching Town Land	Lot 223 & 224 Jln Satok, KLTD 93400 Kuching Sarawak	2 units of 4 storey shopoffice/ Unoccupied branch premises (Kuching)	Freehold	Land - 4,659 Built-up - 11,858	16	818,402.28
33	HS(D) 11547/11548 PT 15727/15728 Mukim of Ampang	No. 11 & 11A Jln Memanda 7/1 Ampang Point 68000 Ampang, Selangor	5 storey shopoffice/ Branch premises (Ampang Jaya)	Freehold	Land - 3,261 Built-up - 5,658.40	11	1,256,208.60
34	Plots 65 & 66 HS(D) 7570 & 7571 Lot 8552 & 8553 Mukim 12 District of Barat Daya	No. 124 & 126 Jln Mayang Pasir Tmn Sri Tunas 11950 Bayan Baru Pulau Pinang	2 units of 3 storey shopoffice/ Branch premises (Bayan Baru)	Freehold	Land - 3,080 Built-up - 8,360	15	1,199,601.68

## PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
35	HS(D) 169672, PTD 85558 Mukim Plentong District of Johor Bahru	No. 88, Jalan Molek 2/17 Taman Molek, Fasa 2 81100 Johor Bharu	2 storey semi- detached/ Branch mgr's residence (Johor Jaya)	Freehold	Land - 3,200 Built-up - 2,090	15	159,407.05
36	HS(D) 2874 & PTD 4161 T/Ship of Kluang District of Kluang	No. 503, Jln Mersing 86000 Kluang, Johor	3 storey shopoffice/ Branch premises (Kluang)	Freehold	Land - 6,000 Built-up - 9,944	14	518,836.60
37	HS(D) 9406 HS(D) 9407 Lot 8226/8227 PT 4045/4046 Mukim of Damansara District of Petaling	No. 7 & 9, Jln SS 15/8A 47500 Petaling Jaya Selangor	2 units of 4 storey shopoffice/ Branch premises (Subang Jaya)	Freehold	Land - 3,520 Built-up - 9,944	14	1,058,401.12
38	Lot 51412 & 51413 HS(D) 23844 & 23843 P.T. 3479 & 3480 Mukim of Kuala Lumpur District of Wilayah Persekutuan	No. 4 & 6, Jln Telawi 3 Bangsar Baru 59100 Kuala Lumpur	2 units of 3 storey shopoffice/ Branch premises & DRP site (Bangsar)	Freehold	Land - 4,659 Built-up - 11,858	16	3,651,225.70
39	HS(M) 4961 PT 457 HS(M) 4962 PT 458 Mukim of Kajang District of Ulu Langat	No. 2 & 3, Jln Saga Tmn Sri Saga Off Jln Sg. Chua 43000 Kajang Selangor	2 units of 3 1/2 storey shopoffice/ Branch premises (Kajang)	Freehold	Land - 3,510 Built-up - 11,136	12	240,719.83
40	HS(M) 195/1989 Lot No. P.T. 10107 Mukim Sungai Petani District of Kuala Muda	Plot 0195 Persiaran Cinta Sayang Taman Ria, Sungai Petani Kedah	Single storey bungalow/ Branch mgr's residence (Sg Petani)	Freehold	Land - 16,620 Built-up - 1,221	14	124,491.89
41	GM 2251 & 2252 Lot 3991 & 3992 Mukim 5, District of Seberang Perai Utara	No. 1317 & 1318 Tmn Sepakat Off Jln Butterworth 13200 Kepala Batas Seberang Perai Pulau Pinang	2 units of 3 storey shopoffice/ Branch premises (Kepala Batas)	Freehold	Land - 2,390 Built-up - 6,920	12	562,405.28
42	HS(D) 73618 & 73619 PT 5733 & 5734 Mukim of Labu District of Seremban	5733 & 5734, Jln TS 2/1 Taman Semarak Phase II, 71800 Nilai Negeri Sembilan	2 units of 2 storey shopoffice/ Branch premises (Nilai)	Freehold	Land - 3,600 Built-up - 10,800	13	769,605.20

PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
43	PTD 112746 & 112747 Mukim of Plentong District of Johor Bahru Johor	No. 40 & 41 Pusat Perniagaan Pasir Gudang, Jln Bandar 81700 Pasir Gudang Johor	2 units of 2 storey shopoffice/ Unoccupied branch premises (Pasir Gudang)	Freehold	Land - 2,800 Built-up - 4,327	12	592,003.20
44	HS(D) 71565 PT 338 District of Petaling Mukim of Damansara	No.2, Jln Hujung Permatang 25/26B Section 26 40000 Shah Alam Selangor	2 storey shopoffice/ Unoccupied branch premises (Sec. 26, Shah Alam)	Freehold	Land - 3,488 Built-up - 6,796	13	637,341.40
45	PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bharu	No. 130 and 132 Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor	2 units of 3 storey shopoffice/ Branch premises relocation (Johor Jaya)	Freehold	Land - 4,773 Built-up - 14,319	13	1,602,125.32
46	HS(D) 67774 & 67773 Lots 29427 & 29428 Mukim of Kuala Lumpur District & State of Wilayah Persekutuan	No. 47 & 49 Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 KL	2 units of 3 storey shopoffice/ Branch premises relocation (TTDI)	Freehold	Land - 5,138 Built-up - 11,250	16	3,691,746.32
47	Lots 14127 & 14128 Grants 7792 & 7793 Mukim of Setapak District of Kuala Lumpur	No. 159 & 161 Jln Genting Kelang 53300 Setapak Kuala Lumpur	2 units of 3 storey with basement/ Shop office (Setapak)	Freehold	Land - 4,306 Built-up - 17,224	19	1,918,806.24
48	Lot S03 & S04 PT 72, HS(D) 7295 District of Port Dickson	No. 3 & 4 Jln Aman, Kawasan Penambakan Laut Bandar Port Dickson 71009 Negeri Sembilan	2 units of 3 storey shopoffice/ Branch premises (Port Dickson)	Freehold	Land - 3,532 Built-up - 9,900	11	840,720.32
49	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25 Jln Permas 10/2 Permas Jaya, 81750 Masai Johor Bahru, Johor	2 units of 4 storey shopoffice/ Branch premises (Permas Jaya)	Freehold	Land - 3,840 Built-up - 13,440	14	1,918,805.36
50	PTD 17855 & 17856 HS(D) 39845 & 39846 Mukim of Plentong District of Johor Bahru	No. 18 & 20 Jalan Serampang Tmn Pelangi, Johor Bahru Johor	2 units of 3 storey shophouse/ Unoccupied branch premises (Johor Bahru)	Freehold	Land - 3,840 Built-up - 11,520	25	2,131,483.32
51	HS(D) 16728, PTD 9887 & HS(D) 16729, PTD 9888 Mukim of Simpang Kanan District of Batu Pahat	No. 3 & 4, Jln Merah Tmn Bukit Pasir 83000 Batu Pahat Johor	2 units of 3 storey shophouse/ Branch premises (Batu Pahat)	Freehold	Land - 3,080 Built-up - 16,227	17	798,725.40

## PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
52	PT Lot 42262 Mukim and District of Kelang	No. 312, Jalan Batu Unjur Bayu Perdana 41200 Klang Selangor	4 storey shopoffice/ Unoccupied branch premises (Pandamaran)	Freehold	Land - 2,780 Built-up - 11,116	11	1,504,539.84
53	Lots 436 & 437 Geran No. 12256 & 12257, Section 13 District of Kota Bharu	No. 3788 H & 3788 I Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan	2 units of 3 storey shopoffice/ Branch premises (Kota Bharu)	Freehold	Land - 3,200 Built-up - 9,152	22	959,546.36
54	PT 288 & 289 Mukim of Seriap District of Pengkalan Asam	No. A2 Taman Pengkalan Asam 01000 Kangar, Perlis	4 storey of free standing building/ Branch (Kangar)	Freehold	Land - 2,445 Built-up - 9,677	11	879,072.28
55	Lot No. 290 GM 96 Lot 1555 GM 92 (1st Grade), Locality of Sungai Dua, Mukim 13 Daerah Timur Laut P.P (Lum Choon Realty)	Off Jalan Bukit Gambier Penang	2 separate parcels of residential development land/ Building	Freehold	3,769 acres (Lot No. 1555) 7,825 acres (Lot No. 290)	Vacant Land	17,238,000.00
56	HS(D) 100201, PTD 62720 Mukim of Plentong District Johor Bahru	No. 41, Jln Bakawali 35 Tmn Johor Jaya 81100 Johor Bahru Johor	2 storey shopoffice/ Unoccupied branch processing Centre (JPC)	Freehold	Land - 2,607 Built-up - 5,614	17	222,964.24
57	PT Lot 24178 & 24179 HS(D) 41954 & 41955 Mukim of Cheras District of Ulu Langat	No. 39 & 41 Taming Permai Business Park, Jln Balakong 43300 Selangor	2 units of 3 storey shopoffice with basement/ Unoccupied branch premises (Balakong)	Freehold	Land - 5,565 Built-up - 15,288	10	2,600,900.85
58	Lots 175 & 176, PT 1386 & 1387, Grant 6787 Mukim of Kuah District of Langkawi	No. 149-A, 149-B & 149-C Persiaran Bunga Raya Langkawi Mall 07000 Kuah, Langkawi Kedah	2 adjacent lots of 3 storey shopoffice/ Branch premises (Kuah/Langkawi)	Freehold	Land - 3,304 Built-up - 9,912	10	1,344,003.12
59	HS(D) 7156, 7157 7187 & 7188 PT 34, 35, 65 & 66 Bandar Bukit Baru, Sek 11 District Melaka Tengah	No. 7 & 8 Jalan DRI Delima Point Taman Delima Raya 75150 Melaka	2 units of 5 storey shopoffice/ Branch premises relocation (Bukit Baru)	Freehold	Land - 3,509 Built-up - 17,160	11	1,520,006.28
60	Geran 9836, Lot 607 Section 47, Town & District of Kuala Lumpur Wilayah Persekutuan (Everise Tours & Travel S/B)	No. 34, Jln Lumut Damai Complex Off Jalan Ipoh 53000 Kuala Lumpur	Intermediate 4 1/2 storey shopoffice building/Building	Freehold	1,540 sq ft (143 sq metres)	27	1,238,646.06



PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
61	Geran 26883, (CT 16460) & 26903 (CT16461) Lot 334 & 335 Seksyen 47, Town 7 District of Kuala Lumpur	No. 27 & 29 Jalan Tun Razak 53000 Kuala Lumpur	2 contiguous intermediate three storey shop/offices	Freehold	116 sq metres (Lot 334) & 117 sq metres (Lot 335)	27	996,300.09
62	HS(D) 4004 PT 1851P Bandar Kuala Terengganu Terengganu	Ground and Mezzanine Floor, Lot 4146 Jln Sultan Ismail Kuala Terengganu	9-storey office complex ground & mezzanine floor./ Unoccupied branch premises (Kuala Terengganu)	Freehold	Land - 6,400 Built-up - 5,758	11	1,804,003.28
63	Lot 1 Mukim of Padang Cina District of Kulim	Suite B.4 KHTP Business Centre Kulim Hi-Tech Park 09000 Kulim, Kedah	5-storey shopoffice/ office/commercial complex (Ground Floor)/ Unoccupied branch premises (Kulim Hi-Tech)	Freehold	Land - 9,064.36 Built-up - 9,064.36	9	2,208,083.98
64	PTD 50679 & 50680 LOT 840 & 842, PT 6 & 7 Mukim of Batu District of Johor Bahru	No. 93 & 94 Jalan Kenanga 29/7 Indahpura 81000 Johor Bahru, Johor	2 units of 4 storey shopoffice/ Unoccupied branch premises	Freehold	Land - 4,607 Built-up - 17,749	8	1,255,897.58
65	HS(D) 369/1996 No. P.T. 591 Mukim Padang China District of Kulim	Lot E189 Kulim Golf & Country Resort, Kulim Kedah Darul Aman	A parcel of vacant detached housing plot/Branch mgr's residence (Kulim)	Freehold	Land - 9,534 Built-up - 2,600	7	139,387.19
66	Lot X1 & X2 Seri Kembangan Selangor	No. 1 & 3, Jalan PSK 2 Pusat Perdagangan Seri Kembangan Seri Kembangan Selangor	2 adjacent lots/ 3-storey shopoffice/ Unoccupied branch premises	Freehold	Land - 4,379 Built-up - 13,139	7	1,765,803.71
67	Title No. 35120 Lot No. 86, Sectors 2 Town of Batu Feringhi North East District of Penang	Unit No. 22-06 22nd Storey Batu Feringhi Pulau Pinang	3 bedrooms apartment/ Holiday resort apartment	Freehold	n/a	7	202,101.36
68	HS(D) 23766 PT 199, Section 40 Mukim of Kuala Lumpur	133, Jalan Bunus Off Jalan Masjid India 50100 Kuala Lumpur	1 unit of 4 1/2 storey shop office/ Branch premises (Jln Bunus)	Freehold	n/a	7	3,342,534.56
69	HS(D) 120239 & 120238 PT 40 & 39 Pekan Desa Puchong District of Petaling	No. 16 & 18 Jalan Bandar 3 Pusat Bandar Puchong 47100 Puchong, Selangor	2 units of 4 storey shopoffice/ Branch premises (Puchong)	Freehold	Land - 3,300 Built-up - 12,400	7	1,157,905.12

## PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
70	GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim Nibong Tanah Merah, Kelantan	Lot PT 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah Kelantan	1 unit of 2 storey shopoffice/ Branch premises (Jeli)	Freehold	Land - 2,000 Built-up - 4,000	7	318,619.16
71	HS(D) 36868, Lot 25724 Mukim of Kuala Lumpur	161, Jalan SS2/24 47300 Petaling Jaya Selangor	3 storey shophouse/ Branch premises (HP SS2)	Freehold	Land - 2,268 Built-up - 8,902	27	881,145.51
72	No. 14269, Lot 1929 Town of Taiping District of Larut, Perak	No. 157, Jalan Kota 34000 Taiping Perak	3 storey shophouse/ Branch premises (HP Taiping)	Freehold	Land - 1,700 Built-up - 4,960	31	292,005.37
73	HS (D) 194608, PT 1106 Pekan, Serdang Daerah Petaling Selangor	Lot F1 (Corner lot) Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor	3 storey shophouse/ Branch premises (HP Seri Kembangan)	Freehold	Land - 3,563 Built-up - 10,684	7	1,527,784.90
74	Lot No. 002595 HS(D) 810, Sec. 4 Daerah Seberang Perai Utara	61, Jalan Selat Taman Selat 12000 Butterworth Pulau Pinang	4 storey shophouse/ Unoccupied branch premises	Freehold	Land - 1,841 Built-up - 4,698	23	565,319.30
75	Lot PTB 8637 HS(D) 23625 Daerah Johor Bharu Johor	8A, Jalan Tun Abdul Razak Susur 3, 80200 Johor Bahru	3 storey shophouse/ Unoccupied branch premises	Freehold	Land - 1,350 Built-up - 4,698	24	322,975.35
76	HS (D) 807 & 808 PT 2592 & 2593 District of Seberang Perai Utama	Nos. 55 & 57 Taman Selat Jalan Bagan Luar 12000 Butterworth	2 units of 4 storey shopoffice/ Branch premises	Freehold	Land - 4,779 Built-up - 13,760	22	1,693,276.56
77	HS (D) 624 & 625/1986 Lot 66 & 67, Sec. 5 District of Kota Setar Kedah	No. 1515, Lorong Padi 05000 Alor Setar Kedah	4 storey shopoffice/ Branch premises	Leasehold Exp: 28/01/2025 Short Term	Land - 2,600 Built-up - 7,800	23	684,950.24
78	HS (M) 2926 & 2925 PT 21346 & 21345 Mukim of Petaling District of Wilayah Persekutuan	No. 10 & 12 Jalan Radin Tengah Bandar Baru Sri Petaling 50770 Kuala Lumpur	2 units of 3 storey shopoffice/ Branch premises	Leasehold Exp: 05/04/2078 Long Term	Land - 3,840 Built-up - 11,520	24	621,491.97

PARTICULARS OF PROPERTIES (CONTINUED)

As at 31 December 2007

NO.	TITLE/LOT NO.	LOCATION/ ADDRESS	DESCRIPTION/ EXISTING USE	TENURE	SITE AREA (SQ. FT.)	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2007 (RM)
79	Unit No. P1-01-32 Registered grant no. 61929/ M1/1/53, Lot No. 1594 Seksyen 2 Bandar Tanjung Tokong	98-G-32 to 98-3a-32 Block 32, Prima Tanjung Business Centre Jalan Fettes Tanjung Tokong 10470 Pulau Pinang	5 storey shophouse/ Branch premises (HP Fettes Park)	Freehold	Land - 1,037 Built-up - 7,732	7	2,027,724.29
	Unit No. P1-02-32 Registered grant no. 61929/ M1/2/121, Lot No. 1594 Seksyen 2 Bandar Tanjung Tokong						
	Unit No. P1-03-32 Registered grant no. 61929/ M1 Menara B/3/223 Lot No. 1594, Seksyen 2 Bandar Tanjung Tokong						
	Unit No. P1-04-32 Registered grant no. 61929/ M1 Menara B/4/257 Lot No. 1594, Seksyen 2 Bandar Tanjung Tokong						
	Unit No. P1-05-32 Registered grant no. 61929/ M1 Menara B/5/259 Lot No. 1594, Seksyen 2 Bandar Tanjung Tokong						
80	HS (D) 16521 & 16496 PT 8192/1387 & PT 8912/1366 Mukim of Kuala Lumpur District of Petaling	No. 20 & 22, Jln 21/22 Sea Park 46730 Petaling Jaya	2 units of 3 storey shopoffice/ Branch premises	Freehold	Land - 3,230 Built-up - 9,750	23	1,476,813.60
81	Town Lease: 107516432 Town Lease: 107516441 Town Lease: 107516450 District of Tawau	No. TB 281, 282 & 283 Jln Haji Karim Town Extension 11 91008 Tawau, Sabah	3 units of 4 storey shopoffice/ Branch premises	Leasehold Exp: 31/12/2895 Long Term	Land - 6,720 Built-up - 13,440	23	1,551,997.27
82	HS (D) 3659 & 3662 PT 3227 & 3228 District of Seremban	Nos 93A & 93B Jalan Rasah 70470 Seremban Negeri Sembilan	2 units of 3 storey shopoffice/ Branch premises	Freehold	Land - 4,107 Built-up - 8,400	23	671,822.83

# SHAREHOLDING STATISTICS

As at 29 February 2008

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 – 99	382	2.10	13,776	0.00
100 – 1,000	2,679	14.71	2,477,258	0.17
1,001 – 10,000	12,251	67.25	46,349,213	3.10
10,001 – 100,000	2,629	14.43	78,046,713	5.22
100,001 – 74,718,332*	273	1.50	248,250,311	16.61
74,718,333 and above**	3	0.01	1,119,229,396	74.90
<b>Total</b>	<b>18,217</b>	<b>100.00</b>	<b>1,494,366,667</b>	<b>100.00</b>

\* Less than 5% of issued shares

\*\* 5% and above of issued shares

## LIST OF TOP 30 SHAREHOLDERS AS AT 29 FEBRUARY 2008

	Shareholdings	%
1 Lembaga Tabung Angkatan Tentera	510,107,363	34.14
2 Mayban Nominees (Asing) Sdn Bhd The Bank of East Asia Limited Hong Kong for The Bank of East Asia Limited	305,881,626	20.47
3 Boustead Holdings Berhad	303,240,407	20.29
4 Employees Provident Fund Board	39,351,800	2.63
5 Amanah Raya Nominees (Tempatan) Sdn Bhd Public South-East Asia Select Fund	10,077,800	0.67
6 Mayban Nominees (Asing) Sdn Bhd The Bank of East Asia Limited Hong Kong for Grandeur Profit Holdings Limited	10,000,000	0.67
7 Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	9,805,900	0.66
8 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund	9,342,700	0.63
9 HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank	8,310,200	0.56
10 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Growth Fund	6,568,000	0.44
11 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Equity Fund	5,243,000	0.35
12 ECM Libra Avenue Nominees (Asing) Sdn Bhd DMG & Partners Securities Pte Ltd for Keen Capital Investment Ltd	4,729,900	0.32
13 BHLB Trustee Berhad Public Regional Sector Fund	4,665,000	0.31
14 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Far-East Balanced Fund	4,229,900	0.28

## SHAREHOLDING STATISTICS (CONTINUED)

As at 29 February 2008

	Shareholdings	%
15 Universiti Malaya	4,188,000	0.28
16 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for PB Asean Dividend Fund	4,175,000	0.28
17 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Far-East Select Fund	4,118,600	0.28
18 HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank (UAE)	4,010,700	0.27
19 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Savings Fund	4,001,100	0.27
20 Amanah Raya Nominees (Tempatan) Sdn Bhd Kumpulan Wang Bersama	3,889,000	0.26
21 Amanah Raya Nominees (Tempatan) Sdn Bhd Public Dividend Select Fund	3,702,000	0.25
22 Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Aggressive Growth Fund	3,465,400	0.23
23 Citigroup Nominees (Asing) Sdn Bhd CB Ldn for Stichting Pensioenfonds Zorg En Welzijn	3,386,700	0.23
24 Affin Nominees (Tempatan) Sdn Bhd Pacific Credit Leasing Sdn Bhd for Umatrac Enterprises Sdn Bhd	3,241,000	0.22
25 HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. International Plc	2,970,000	0.20
26 BHLB Trustee Berhad Public Focus Select Fund	2,691,800	0.18
27 Yayasan Guru Malaysia Berhad	2,474,000	0.17
28 Alliance Group Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	2,309,875	0.15
29 HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Keen Capital Investments Limited	2,286,000	0.15
30 Mayland Parkview Sdn Bhd	2,154,000	0.14
<b>Total</b>	<b>1,284,616,771</b>	<b>85.98</b>

### SUBSTANTIAL SHAREHOLDERS

	Shareholdings	%
1 Lembaga Tabung Angkatan Tentera	510,107,363	34.14
2 Mayban Nominees (Asing) Sdn Bhd The Bank of East Asia Limited Hong Kong for The Bank of East Asia Limited	305,881,626	20.47
3 Boustead Holdings Berhad	303,240,407	20.29



I/We, \_\_\_\_\_  
 (FULL NAME IN BLOCK CAPITALS)

of \_\_\_\_\_

being a member/members of AFFIN HOLDINGS BERHAD hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him, \_\_\_\_\_

of \_\_\_\_\_

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 16 April 2008 at 10:00 a.m. at 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
1. To receive and adopt the Financial Statements and the Reports of the Directors and Auditors thereon		
2. To declare a Final Dividend of 3 sen per share less 26% income tax		
3. To re-elect YBhg Tan Sri Dato' Lodin Bin Wok Kamaruddin as Director		
4. To re-appoint YBhg Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak as Director		
5. To re-appoint YBhg Dato' Mustafa Bin Mohamad Ali as Director		
6. To approve Directors' Fees		
7. To re-appoint Auditors		
8. To authorise the Directors to allot and issue shares		
9. To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature		
10. To approve the amendment to Articles of Association of the Company		

**NO. OF SHARES HELD**

\_\_\_\_\_  
 Signature or common seal of Shareholder(s)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**NOTES:**

1. A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, located at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight hours before the time of the Meeting or any adjournment thereof.

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STAMP

**AFFIN HOLDINGS BERHAD**

7th Floor, Chulan Tower

3, Jalan Conlay

50450 Kuala Lumpur



