



FINANCIAL STATEMENTS

183

Certificate Of The Auditor General On The Financial Statements Of The Employees Provident Fund For The Year Ended 31 December 2007

184

Statement By Chairman And A Board Member As Trustees

184

Declaration Of Principal Officer Responsible For The Financial Management Of The Employees Provident Fund

185

Balance Sheets

186

Income Statements

187

Statement Of Changes In Reserves

189

Cash Flow Statements

191

Notes To The Financial Statements





CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE EMPLOYEES PROVIDENT FUND

FOR THE YEAR ENDED 31 DECEMBER 2007

I have audited the financial statements of the Employees Provident Fund as at 31 December 2007. The management is responsible for the said financial statements. My responsibilities are to audit and to give opinion to the aforesaid financial statements.

2. The auditing has been conducted pursuant to the Audit Act 1957 and in accordance with the approved auditing standards. Such standards require the auditing to be planned and to be conducted for the purpose of obtaining reasonable certainty whether the financial statements are free from significant errors or misstatement. The auditing included examining records on a test basis, verifying the evidence which support the amounts and ascertaining adequate disclosures in the financial statements. Evaluation has also been made on the accounting principles applied as well as the overall presentation of the financial statements.

3. In my opinion, the financial statements show a true and fair view of the financial position of the Employees Provident Fund and the Group as at 31 December 2007, the operational results and the cash flow of the said year based on the approved accounting standards.

4. I have considered the financial statements and the auditors' report for all subsidiary companies, of which I have not audited as stated in the Notes To The Financial Statements. I am satisfied that such financial statements that have been consolidated with the financial statements of the Employees Provident Fund are in a form and content appropriate and proper for the purpose of preparing the consolidated financial statements. I have also received satisfactory information and explanations as required for the said purpose.

5. The auditors' reports on the financial statements of such subsidiary companies do not contain any observations which could affect the consolidated financial statements.

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal stroke.

(TAN SRI DATO' SETIA HAJI AMBRIN BIN BUANG)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
15 APRIL 2008



STATEMENT BY CHAIRMAN AND A BOARD MEMBER AS TRUSTEES

We, TAN SRI SAMSUDIN OSMAN and ANDREW LO KIAN NYAN as the Chairman and a member of the Board, as representatives of the Trustees of the EMPLOYEES PROVIDENT FUND, do hereby state that, in the opinion of the Board, the accompanying Financial Statements which includes the Balance Sheets, Income Statements, Statement Of Changes In Reserves and Cash Flow Statements, with the Notes To The Financial Statements, are drawn up so as to give a true and fair view of the state of affairs of the EMPLOYEES PROVIDENT FUND as at 31 December 2007 and of the results of its operation and changes in financial position for the year ended on that date.

On behalf of the Board



Name : TAN SRI SAMSUDIN OSMAN
 Title : CHAIRMAN OF EPF
 Date : 18 MARCH 2008
 Place : KUALA LUMPUR

On behalf of the Board



Name : ANDREW LO KIAN NYAN
 Title : A BOARD MEMBER OF EPF
 Date : 18 MARCH 2008
 Place : KUALA LUMPUR

DECLARATION OF PRINCIPAL OFFICER RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE EMPLOYEES PROVIDENT FUND

I, MASUT MARTU, as a representative of the Trustees and the officer primarily responsible for the financial management of the EMPLOYEES PROVIDENT FUND, do solemnly and sincerely declare that the accompanying Financial Statements which includes the Balance Sheets, Income Statements, Statement Of Changes In Reserves and Cash Flow Statements, with the Notes To The Financial Statements to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and]
 solemnly declared by]
 the abovenamed in]
 KUALA LUMPUR]
 on 18 March 2008]




MASUT MARTU
 Before me



COMMISSIONER FOR OATHS
 1.08, Tkt. 1, Bangunan KWSP,
 Jln. Raja Laut,
 50350 Kuala Lumpur.
 Tel: 03-26913880

BALANCE SHEETS

as at 31 December 2007

	Note	GROUP		EPF	
		2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
UTILISATION OF MEMBERS' FUND					
ASSETS					
Deferred Tax Assets	6	40,000	30,000	—	—
Property, Plant And Equipment	7	523,018	553,736	285,718	314,858
Investment Properties	8	1,467,144	1,312,840	1,064,931	905,946
Intangible Assets	9	52,500	8,190	51,535	6,803
Prepaid Land Lease	10	120,914	153,482	110,633	143,036
Assets Held For Sale	11	6,152,651	244,618	6,148,001	—
Land Held For Property Development	12	64,946	64,938	64,946	64,938
Property Development Costs	13	153,932	143,679	147,761	133,632
Investments In Subsidiaries	14	—	—	1,471,496	1,281,838
Investments In Associates	15	4,541,761	477,445	4,544,127	684,604
Investments	16	221,558,803	203,705,873	222,536,957	203,662,245
Loans, Advances And Financing	17	63,648,732	53,626,116	57,607,294	48,539,727
Inventories Of Completed Properties	18	166,672	29,921	—	—
Receivables, Deposits And Prepayments	19	808,208	454,861	661,051	366,472
Tax Recoverable		936,686	585,968	911,113	585,968
Accrued Interest And Dividend		2,589,738	2,500,439	2,589,757	2,500,472
Deposits With Financial Institutions	20	20,657,439	30,426,915	19,258,528	30,426,885
Bank And Cash Balances		941,670	941,181	844,065	596,629
Total Assets		324,424,814	295,260,202	318,297,913	290,214,053
LIABILITIES					
Deferred Tax Liabilities	6	19,686	26,166	—	—
Provision For Employees Benefit	21	91,961	77,428	91,961	77,428
Provision For Other Liabilities And Charges	22	—	3,380	—	—
Provision For Taxation		19,439	18,659	—	—
Loans And Overdrafts	23	606,619	294,625	—	—
Contribution Withdrawal Payables		88,846	70,641	88,846	70,641
Deposits And Advances	24	5,540,918	5,023,948	153,240	74,128
Creditors And Accrued Liabilities	25	742,069	292,639	674,167	227,533
Total Liabilities		7,109,538	5,807,486	1,008,214	449,730
NET ASSETS		317,315,276	289,452,716	317,289,699	289,764,323
MEMBERS' FUND					
Contributions Account	26	316,504,232	289,055,707	316,504,232	289,055,707
Reserves		239,426	(98,858)	785,467	708,616
		316,743,658	288,956,849	317,289,699	289,764,323
Minority Interest		571,618	495,867	—	—
		317,315,276	289,452,716	317,289,699	289,764,323

The notes set out form an integral part of, and should be read in conjunction with, these Balance Sheets.

INCOME STATEMENTS

for the year ended 31 December 2007

	Note	GROUP		EPF	
		2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
INCOME					
Gross Investment Income	27	17,548,813	13,538,030	17,233,168	13,270,456
Investment Expenses	28	(85,386)	(75,522)	(85,386)	(75,522)
Writeback Of Allowance For Diminution In Value Of Investments And Loan Losses	29	399,994	644,588	433,868	674,477
Writeback Of Impairment Loss On Investment In Subsidiaries And Associates	30	—	—	55,595	385,934
Net Investment Income		17,863,421	14,107,096	17,637,245	14,255,345
Non-Investment Income	31	183,607	119,414	50,255	90,989
		18,047,028	14,226,510	17,687,500	14,346,334
Operating Expenditures	32	(815,305)	(680,029)	(509,371)	(455,420)
Statutory Charges	33	(42,937)	(46,531)	(42,937)	(46,531)
Dividend On Contribution Withdrawals		(268,949)	(409,417)	(268,949)	(409,417)
Total Expenditures		(1,127,191)	(1,135,977)	(821,257)	(911,368)
Net Income		16,919,837	13,090,533	16,866,243	13,434,966
Share Of Results From Associates		198,834	528,540	—	—
Net Profit Before Taxation And Zakat		17,118,671	13,619,073	16,866,243	13,434,966
Taxation And Zakat	34	16,078	9,509	—	—
Net Profit After Taxation And Zakat		17,134,749	13,628,582	16,866,243	13,434,966
Attributable To:					
Contributors Of EPF		17,128,014	13,613,736		
Minority Interest		6,735	14,846		
		17,134,749	13,628,582		

The notes set out form an integral part of, and should be read in conjunction with, these Income Statements.

STATEMENT OF CHANGES IN RESERVES

for the year ended 31 December 2007

GROUP

	← Non-Distributable →		Distributable Accumulated Surplus / (Deficit)	Total
	Section 50(3) Reserve	Capital Reserve		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
As At 31 December 2005	100,873	98	(354,034)	(253,063)
Net Profit For The Year	—	—	13,613,736	13,613,736
<u>Add:</u>				
Share Options Granted Under Employees Share Option Scheme (ESOS) Recognised In Income Statement	—	421	—	421
<u>Less:</u>				
Payment On Invocation Of Section 50(3)	(31,497)	—	—	(31,497)
Transfer To Accumulated Surplus	(29,376)	—	29,376	—
2006 Dividend Credited To Members' Accounts – 5.15%	—	—	(13,424,425)	(13,424,425)
Adjustment On Dividend Credited In Year 2005 – 5.00%	—	—	(4,030)	(4,030)
As At 31 December 2006	40,000	519	(139,377)	(98,858)
As At 31 December 2006	40,000	519	(139,377)	(98,858)
Net Profit For The Year	—	—	17,128,014	17,128,014
<u>Add:</u>				
Interest On Contributions Paid Late	8,763	—	—	8,763
Share Options Granted Under Employees Share Option Scheme (ESOS) Recognised In Income Statement	—	(338)	—	(338)
<u>Less:</u>				
Payment On Invocation Of Section 50(3)	(10,483)	—	—	(10,483)
Transfer To Accumulated Surplus	1,720	—	(1,720)	—
2007 Dividend Credited To Members' Accounts – 5.80%	—	—	(16,786,843)	(16,786,843)
Adjustment On Dividend Credited In Year 2006 – 5.15%	—	—	(829)	(829)
As At 31 December 2007	40,000	181	199,245	239,426

Statement Of Changes In Reserves (Cont'd.)

for the year ended 31 December 2007

EPF

	Non-Distributable Section 50(3) Reserve (RM'000)	Distributable Accumulated Surplus / (Deficit) (RM'000)	Total (RM'000)
As At 31 December 2005	100,873	632,729	733,602
Net Profit For The Year	—	13,434,966	13,434,966
<u>Less:</u>			
Payment On Invocation Of Section 50(3)	(31,497)	—	(31,497)
Transfer To Accumulated Surplus	(29,376)	29,376	—
2006 Dividend Credited To Members' Accounts – 5.15%	—	(13,424,425)	(13,424,425)
Adjustment On Dividend Credited In Year 2005 – 5.00%	—	(4,030)	(4,030)
As At 31 December 2006	40,000	668,616	708,616
As At 31 December 2006	40,000	668,616	708,616
Net Profit For The Year	—	16,866,243	16,866,243
<u>Add:</u>			
Interest On Contributions Paid Late	8,763	—	8,763
<u>Less:</u>			
Payment On Invocation Of Section 50(3)	(10,483)	—	(10,483)
Transfer To Accumulated Surplus	1,720	(1,720)	—
2007 Dividend Credited To Members' Accounts – 5.80%	—	(16,786,843)	(16,786,843)
Adjustment On Dividend Credited In Year 2006 – 5.15%	—	(829)	(829)
As At 31 December 2007	40,000	745,467	785,467

CASH FLOW STATEMENTS

for the year ended 31 December 2007

	Note	GROUP		EPF	
		2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit Before Taxation And Zakat		17,118,671	13,619,073	16,866,243	13,434,966
<u>Add / (Less) Adjustments For:</u>					
Share Of Results From Associates		(198,834)	(528,540)	—	—
Amortisation Of Goodwill On Consolidation		—	3,341	—	—
Depreciation Of Property, Plant And Equipment		42,528	45,661	32,948	29,466
Depreciation Of Investment Properties		24,608	17,301	19,186	17,301
Amortisation Of Intangible Assets		13,723	1,720	13,167	1,200
Amortisation Of Prepaid Land Lease		1,315	2,174	1,150	2,009
Allowance For Diminution In Value Of Investments		507,434	302,929	507,434	302,929
Allowance For Loan Losses		33,874	29,889	—	—
Impairment Loss On Investments		—	—	7,507	5,678
Allowance For Diminution In Value Of Investments Written Back		(939,652)	(805,775)	(939,652)	(805,775)
Impairment Loss On Investments Written Back		—	—	(63,102)	(391,612)
Allowance For Loan Losses Written Back		(1,650)	(171,631)	(1,650)	(171,631)
Impairment Loss On Unquoted Investments Written Back		(6)	(30)	—	—
Reversal Of Impairment Loss On Property, Plant And Equipment		—	(16,510)	—	(16,510)
Reversal Of Impairment Loss On Investment Properties		—	(9,304)	—	(9,304)
Provision For Staff Retirement Benefits		17,530	17,257	17,530	17,257
Provision For Staff Retirement Benefits Written Back		—	(8,504)	—	—
Allowance / Written Off On Bad And Doubtful Debts		18,580	15,454	—	—
Written Offs / Losses		401	117	220	117
Impairment Loss On Investment Properties Property, Plant And Equipment Written Offs		108	—	—	—
Reversal Of Inventories Written Offs		—	(1,543)	—	—
Gain On Disposal Of Property, Plant And Equipment		(8,165)	(19,918)	(280)	(17,115)
Gain On Disposal Of Investment Properties		(32,014)	—	—	—
Interest In Suspense, Net Of Recoveries And Write Offs		434,828	402,690	—	—
Unrealised Gain On Foreign Currency Transactions		(12,817)	—	—	—
Reversal Of Provision For Liquidated Damages		(3,380)	—	—	—
Share Options Granted – ESOS		—	421	—	—
		17,017,084	12,896,272	16,460,701	12,398,976
<u>(Increase) / Decrease In Operating Assets:</u>					
Intangible Assets		(57,899)	(8,003)	(57,899)	(8,003)
Investments		(18,442,494)	(10,895,179)	(18,442,494)	(10,895,013)
Assets Held For Sale		(6,142,909)	—	(6,148,001)	—
Income From Disposal Of Foreclosed Properties		56,045	13,341	—	—
Deposits With Financial Institutions		11,632,969	(16,096,665)	11,626,225	(16,096,665)
Loans, Advances And Financing		(10,489,668)	(1,506,564)	(9,065,917)	(247,892)
Receivables, Deposits And Prepayments		(297,278)	(331,725)	(294,650)	(265,680)
Tax Recoverable		(325,145)	268,342	(325,145)	268,342
Accrued Interest And Dividend		(89,285)	52,264	(89,285)	52,264
Inventories		10,345	(7,988)	—	—
Investment Properties		392,000	—	—	—
		(23,753,319)	(28,512,177)	(22,797,166)	(27,192,647)

Cash Flow Statements (Cont'd.)

for the year ended 31 December 2007

	Note	GROUP		EPF	
		2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
<u>Increase / (Decrease) In Operating Liabilities:</u>					
Net Contributions		10,660,853	12,901,804	10,660,853	12,901,804
Section 50(3) Reserve		(1,720)	(31,497)	(1,720)	(31,497)
Provision For Retirement Benefits		(2,997)	(2,670)	(2,997)	(2,670)
Creditors And Accrued Liabilities		436,350	114,197	446,835	97,907
Provision For Liabilities		—	(230)	—	—
Loans And Overdraft		313,442	(527,271)	—	—
Deposits And Advances		516,970	1,549,164	79,112	(42,974)
Contribution Withdrawal Payables		18,082	12,783	18,082	12,783
		11,940,980	14,016,280	11,200,165	12,935,353
Income Tax / Zakat Paid		(11,654)	(110)	—	—
Real Property Gains Tax Paid		(8)	(191)	—	—
Net Cash From / (Used In) Operating Activities		5,193,083	(1,599,913)	4,863,700	(1,858,318)
CASH FLOW FROM INVESTMENT ACTIVITIES					
Investments In Group Companies		(3,180,292)	49,201	(3,993,586)	98,498
Acquisitions Of Property, Plant And Equipment		(6,339)	(34,811)	(3,822)	(33,321)
Acquisitions Of Investment Properties		(178,171)	—	(178,171)	—
Proceeds From Sale Of Prepaid Land Lease Payments		31,253	—	31,253	—
Land Held For Property Development		(8)	(12)	(8)	(12)
Property Development Costs		(14,944)	(44,253)	(14,129)	(42,572)
Proceeds From Sale Of Investment Properties		4,845	—	—	—
Proceeds From Sale Of Property, Plant And Equipment		536	5,279	294	74
Net Cash (Used In) / From Investing Activities		(3,343,120)	(24,596)	(4,158,169)	22,667
CASH FLOW FROM FINANCING ACTIVITIES					
Issuance Of Shares To Minority Interest		23,156	90	—	—
Payment To Hire Purchase Creditors		(307)	—	—	—
Obligations On Loans Sold To Cagamas		(495)	(1,062)	—	—
Dividend Payment To Minority Interest		(14,882)	(2,981)	—	—
Net Cash From / (Used In) Financing Activities		7,472	(3,953)	—	—
Changes In Cash And Cash Equivalents		1,857,435	(1,628,475)	705,531	(1,835,651)
Cash And Cash Equivalents As At 01 January		1,621,773	3,250,248	1,277,191	3,112,842
Cash And Cash Equivalents As At 31 December	35	3,479,208	1,621,773	1,982,722	1,277,191

The notes as set out form an integral part of, and should be read in conjunction with, these Statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. CORPORATE INFORMATION

The Board established under the EPF Ordinance, 1951 which was later amended to the EPF Act, 1991 is the trustee of the Employees Provident Fund, which is a defined contribution scheme.

The EPF Headquarters is situated in EPF Building, Jalan Raja Laut 50350 Kuala Lumpur. As at 31 December 2007, EPF operates in 4 Regions and 62 Branches located at the main cities all over Malaysia.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The EPF's overall financial risk management policy is to optimise value creation for members whilst minimising the potential adverse impact arising from fluctuation of the interest rates and the unpredictability of the financial markets.

EPF's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them, to ensure sustainable risk-taking and sufficient returns.

In order for EPF to achieve its mission, it has to manage the various risks posed by the ever-changing business environment and these risks include strategic risk, credit risk, market risk, operational risk and liquidity risk.

2.1 Credit Risk

Credit Risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises through its lending, hedging, trading and investing activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

2.2 Market Risk

Market Risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable EPF to reduce its position without incurring potential loss that is beyond the sustainability of EPF.

The Market Risk is managed using value at risk approach. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur due to daily changes in market rates over a specified holding period at a specified confidence level under normal market condition. To complement value at risk measurement, EPF also institute a set of scenario analysis under various potential market conditions.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

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

2.3 Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Operational Risk Management (ORM) is used to support and enhance activities in all areas to ensure it is an integral part of the decision making processes and corporate culture.

A structured and consistent ORM approach is adopted to align strategy, policy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties in creating value to protect EPF's financial standing, reputation and membership and optimisation of services to members.

EPF continuously strive to embed a risk practicing culture among its staff through risk education and implementation of controls and procedures.

2.4 Liquidity Risk

Liquidity Risk relates to the inability to meet financial commitments and obligations when they fall due. EPF maintains adequate levels of liquid assets in the form of cash and placements in financial institutions in order to meet members' withdrawals and other financial commitments and obligations.

3. PRINCIPAL ACTIVITY

The principal activities of the Board are to receive and to collect contributions, to process all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of conditions of withdrawals and to invest its monies for the benefit of its members. The principal activities of the subsidiaries and associated companies are as stated in Notes 46 and 47 to the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealings with items that are considered material in relation to the financial statements.

4.1 Basis Of Preparation

The EPF and the Group's Financial Statements have been prepared in accordance with:

- i. The historical cost convention modified by the revaluation of the short term quoted shares;
and
- ii. MASB approved accounting standards in Malaysia for Entities other than Private Entities.

The preparation of Financial Statements in conformity with Financial Reporting Standards requires the use of certain critical accounting 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 their judgement in the process of applying the EPF's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 5.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.1 Basis Of Preparation (Cont'd.)

a. Standards And Amendments To Published Standards That Are Effective

The new accounting standards and amendments to the existing standards adopted by EPF, effective for the financial year beginning 01 January 2007 are as follows:

- FRS 117 Leases
- FRS 124 Related Party Disclosures

The adoption of the above new FRS does not have any significant financial impact on the results of the Group and the EPF other than the effect of restatement of the comparative figures as disclosed in Note 44.

b. Standards And Amendments To Published Standards That Are Effective But Have Not Been Adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial year beginning on or after 01 January 2007, but which the group has not been adopted, as it is not relevant are as follows:

- FRS 6 Exploration for and Evaluation of Mineral Resources

c. Standards And Amendments To Published Standards That Are Not Yet Effective

i. The new standards, amendments to published standards and interpretations that are effective for the period beginning on or after 01 July 2007, but which the Group has not early adopted, are as follows:

- FRS 112 Income Taxes
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

Accounting standard updated but do not have significant effect as compared to original standard such as:

- FRS 107 Cash Flow Statements
- FRS 118 Revenue
- FRS 119 Employee Benefits
- FRS 126 Accounting and Reporting by Retirement Benefit Plans
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 8 Scope of FRS 2 Share-based Payments

ii. The new standards, amendments to published standards and interpretations that are effective for the period beginning on or after 01 July 2007, but are not relevant, are as follows:

- FRS 111 Construction Contracts
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- FRS 129 Financial Reporting in Hyperinflationary Economies
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach to FRS 129 Financial Accounting in Hyperinflationary Economies

FRS 139 Financial Instruments: Recognition and Measurement. This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items.

The effective date has yet to be determined by Malaysian Accounting Standards Board (MASB).

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.2 Basis Of Consolidation

The Group Financial Statements include the Financial Statements of the EPF and its subsidiary companies which have been prepared up to the end of the financial year. All intercompany transactions and balances have been eliminated on consolidation. The preparation of the EPF Consolidated Financial Statements is in compliance with Treasury Circular No. 4, 2007. The Board as the trustee and the manager of the Employees Provident Fund has no asset and liability and all operating expenditures are charged to the revenue of the Fund.

4.3 Goodwill

The goodwill arising on consolidation represents the excess of the purchase price over the value of the net assets of the subsidiary as at acquisition date. Goodwill is carried at cost less accumulated impairment loss. Impairment loss on goodwill are not reversed. The policy for the recognition and measurement of impairment loss is in accordance with Note 4.12.

4.4 Investments In Subsidiaries

A subsidiary company is a company in which EPF controls the composition of its Board Of Directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The quoted and unquoted investments in subsidiary companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.12.

The Group has taken advantage of the exemption provided by FRS 122²⁰⁰⁴ and FRS 3 to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective effective dates have not been restated to comply with these Standards.

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 are 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 the identifiable net assets acquired at the date of acquisition is reflected as goodwill, is in accordance with Note 4.3 on 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.

Minority interest represents 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 Parent. 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.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised loss are also eliminated but considered an impairment indicator of the asset transferred.

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 relates to the subsidiary is recognised in the Consolidated Income Statement.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.5 Investments In Associates

Associated companies are companies in which the EPF has a long term equity interest of 20% to 50% and where it exercises a significant influence in financial and operating policy decisions.

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.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence over another entity.

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and the Group's interest in associated companies are stated at cost with adjustments to show changes of the Group's share of net assets of the associated companies.

The quoted and unquoted investments in associated companies are stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.12.

4.6 Interest In Joint Ventures

Interest In Joint Ventures represents an amount which has been advanced under a contractual agreement with a joint venture partner to undertake construction projects and property development which is jointly controlled.

Equity method has been adopted to account for Interest In Joint Venture. The accounting for contracts in joint venture is based on the percentage of completion method and foreseeable losses, if any, are provided for in the year that it arises.

Interest In Joint Ventures is stated at cost and thereafter adjusted to its recoverable value which takes into consideration the impairment loss in the said year, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.12.

4.7 Basis Of Investment Valuation

a. Malaysian Government Securities

Malaysian Government Securities are stated at book value obtained from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

b. Malaysian Government Islamic Bonds

Malaysian Government Islamic Bonds are stated at book value obtained from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

c. Bonds

Bonds are stated at book value calculated from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till the date of maturity.

d. Private Debt Securities

Private Debt Securities are stated at book value calculated from its cost and adjusted where necessary for amortisation of premium and accretion of discount from the date of purchase till the date of maturity. Allowance for losses in respect of non-performing private debt securities is made in accordance with Note 4.9 iv and is disclosed as Allowance For Bad And Doubtful Debts when the Investment Panel considers that allowance for losses is to be provided.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.7 Basis Of Investment Valuation (Cont'd.)

e. Unquoted Shares

Unquoted Shares (other than investments in subsidiaries and associated companies) are stated at cost. Allowance for diminution in value of investments is made when the Investment Panel considers that there is a permanent diminution in value of such investments.

f. Quoted Shares And Investments With Portfolio Managers

Short Term Quoted Shares And Investment With Portfolio Managers

At every year end, the investment cost of Quoted Shares and Investments With Portfolio Managers (other than investments in subsidiaries and associated companies) which has been classified as short term investments is adjusted to market value. The difference arising will be accounted for as follows:

i. *Aggregate market value exceeds cost of investments*

Difference will be credited to the Investment Revaluation Account;

or

ii. *Aggregate market value less than cost of investments*

Difference will be debited to the opening balance of the Investment Revaluation Account (if available) and the remainder is recognised as a loss in the Income Statement. An increase in revaluation directly related to a previous decrease in carrying amount for the same investment that was charged to income will be credited to the Income Statement to the extent that it offsets the previously recorded losses in the Income Statement in the previous years.

Long Term Quoted Shares And Investments With Portfolio Managers

Quoted Shares and Investments With Portfolio Managers (other than investments in subsidiaries and associated companies) which have been classified as long term investments are stated at cost less allowance for diminution in value of investments. Allowance for diminution in value of investments is determined and calculated based on the following guidelines:

- i. Allowance for diminution in value of investments is made on the purchase cost of shares subject to Capital Reduction Plan at minimum of 20% per annum commencing from the year which such Capital Reduction Plan is announced and allowances is made till it reaches 100% in the year such plan is finalised. Allowance for diminution in value of investments will be adjusted and written back as an income if the Capital Reduction Plan is cancelled and the value of shares exceeds the average cost.
- ii. Allowance for diminution in value of investments is made on shares subject to Mandatory General Offer Plan at minimum of 20% per annum on losses derived from the difference between cost and offer price. Allowance is made commencing from the year the Mandatory General Offer is announced. Allowance is made till it reaches 100% in the implementation year of which the Mandatory General Offer is finalised. The allowance for diminution in value of investments will be adjusted and written back as an income if the Mandatory General Offer Plan is cancelled and the value of shares exceeds the average cost.
- iii. Long term quoted shares of which EPF has significant percentage share holding of which the Investment Panel has decided as having doubtful prospects are provided with allowance for diminution in value of investments for a minimum of 25% per annum on the unrealised loss till the allowance for diminution in value of investments reaches 100% at the Balance Sheet date. Allowance for diminution in value of investments will be adjusted and written back as income if such shares have been disposed or the value of shares exceeds the average cost.
- iv. Quoted shares which have been designated as status PN4 (Practice Note No. 4 / 2001) by Bursa Malaysia Berhad are provided with 100% allowance for diminution in value of investments on the investment cost as at the Balance Sheet date in the year the said EPF designated as status PN4. Allowance for diminution in value of investments will be adjusted and written back as income if such shares have been disposed or the value of shares exceeds the average cost.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.7 Basis Of Investment Valuation (Cont'd.)

f. Quoted Shares And Investments With Portfolio Managers (Cont'd.)

- v. Long term quoted shares which have significant unrealised diminution in value are provided with allowance for diminution in value of investments for at least 20% per annum on the unrealised loss as at the Balance Sheet date till the unrealised loss is provided 100%. Allowance for diminution in value of investments will be adjusted as income if such shares have been disposed or the value of shares exceeds the average cost. A review of the required balance of the allowance for diminution in value is made at every Balance Sheet date. The additional allowance or the written back of the allowance as at the Balance Sheet date is made on an aggregate basis.
- vi. General allowance for diminution in value of investments on net unrealised loss of long term quoted shares is provided for at the Balance Sheet date. Allowance for diminution in value of investments will be adjusted and written back as income if the total allowance for diminution in value of investments exceeds the total cost. The additional allowance or the written back of the allowance as at the Balance Sheet is made on an aggregate basis.

As at 31 December 2007, provision for diminution in value of investments has been made in full up to the recoverable amount, for all long term quoted shares which meets the above criteria.

The criteria and guidelines to determine the allowance for diminution in value of investments on long term quoted shares and investment with portfolio managers as above are appropriate and in compliance with the view that the EPF is a long term retirement fund where shares are held for long term and there is no requirement to liquidate in order to meet its cash requirements to pay withdrawals of contributions.

g. Quoted Shares Outside Malaysia

Quoted Shares Outside Malaysia are stated at cost less provision for diminution in value. Diminution in value is recognised when the market value is lower than the acquisition cost.

4.8 Loans, Advances And Financing

Guaranteed Loans And Debentures are stated at cost and the value is written down when the Investment Panel considers that allowance for loan losses is to be provided. Allowance for loan losses in respect of non-performing loans is made in accordance with Note 4.9.iv and is disclosed as Allowance For Bad And Doubtful Debts.

Staff Loans are stated at cost and the value is written down when the Management considers that allowance for loan losses is to be provided. Allowance for loan losses in respect of non-performing staff loans is made in accordance with Note 4.9.iv. There are 3 types of loan scheme which are offered to the EPF staffs at the interest rate approved by the Board based on the terms and conditions of service as follows:

- i. Housing Loan Scheme;
- ii. Vehicle Loan Scheme; and
- iii. Personal Loan Scheme.

The fund used to finance staff loans for the above mentioned three (3) schemes is considered as EPF investment of which the allocation limit of funds used is subject to the sum approved by the Board.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.9 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

i. Recognition Of Investment Income

Dividend from shares and interest on Malaysian Government Securities, Loans And Bonds, Fixed Deposits and Rental Income are accounted for on an accrual basis. Dividend from investment in foreign shares are recognised on receipt basis.

When a particular account is considered as non-performing loan, the interest is suspended until it has been realised in cash. Loan account is treated as non-performing if the repayment of the principal or the interest portion is in arrears for more than six (6) months. The policy with regards to the suspension of interest is in accordance with "Guidelines On The Suspension Of Interest On Non-Performing Loans And Provision For Bad And Doubtful Debts – BNM / GP 3" which is issued by Bank Negara Malaysia but has been modified for the usage of EPF.

ii. Recognition Of Income On Granting Of Loans And Financing (MBSB)

Interest income and income from the Islamic Banking Scheme businesses are recognised on an accrual basis. When an account is classified as non-performing, interest is suspended with retrospective adjustments made to the date of first default until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for six (6) months or more.

Loan arrangement fees and commissions are recognised as income based on contractual arrangements.

iii. Recognition Of Income On Sale Of Properties (MBSB)

Revenue from sale of properties is accounted for using the stage of completion method as described in Note 4.17. Commitment fees are recognised as income based on time apportionment.

Income from project management is recognised as and when the service is rendered.

iv. Allowance For Loan Losses

Allowance For Loan Losses is made for non-performing loans that have been reviewed individually and identified specifically as bad or doubtful.

In the case of loans advanced for joint venture developments where the actual moratorium period is six (6) months or more and where the collateral valued on an estimated realisable basis is lower than the principal amount outstanding, specific allowances equivalent to the deficit are made.

A general allowance based on a percentage of loan receivable is also made to cover possible losses which are not specifically identified.

An uncollectable loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, by the Directors where in the judgement of the Management, there is no prospect of recovery.

The policy on allowance for bad and doubtful loans which is practised by the EPF is in accordance with "Guidelines On The Suspension Of Interest On Non-Performing Loans And Provision For Bad And Doubtful Debts – BNM / GP 3" issued by Bank Negara Malaysia except that EPF has not made general allowances.

v. Interest And Dividend On Contributions Paid Late

Interest And Dividend On Contributions Paid Late are accounted for on receipt basis.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.9 Revenue Recognition (Cont'd.)

vi. Interest On Loans, Advances And Financing

In respect of end financing, interest receivable is computed at yearly and monthly rests. For yearly rests, interest debited to the loans account in any year is based on the balance outstanding on 31 December of the previous year, and on loans disbursed during the year, interest is charged accordingly from the day of disbursement to the end of the financial year in which it is made. For monthly rests, interest debited to the loans account in any month is based on the balance outstanding at the end of the previous month, and on loans disbursed during the month, interest is computed from the day of disbursement to the end of the month in which it is made.

In the case of bridging and term loans, interest receivable is computed on monthly rests so that interest debited to the bridging and term loans account in any month is based on the balance at the end of the previous month, and on loans disbursed during the month, interest is computed from the day of disbursement to the end of the month in which it is made.

vii. Accretion / (Amortisation) Of Investments

Accretion / (Amortisation) Of Investments are recognised on effective interest basis.

4.10 Property, Plant And Equipment And Depreciation

Property, Plant And Equipment are stated at cost after deduction of accumulated depreciation and accumulated impairment loss. 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 and Work-In-Progress are not depreciated. All other Property, Plant And Equipment are depreciated using straight line method based on the estimated useful life at the following rates:

Buildings	2% – 3%
Building Plant And Machinery	10% – 20%
Office / Building Renovation	20%
Furniture, Fixtures And Fittings	20%
Motor Vehicles	20%
Office Equipment	20%
Computer Software And Hardware	20% – 33%

Furniture, Fixtures And Fittings and Office Equipment which costs below RM1,000 per unit is depreciated fully on the year of acquisition.

Office / Building Renovation valued at RM100,000 and above is capitalised. For renovation of which the project cost is less than RM100,000, such renovation cost is charged to current year expenses.

Residual values and useful life 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. Revaluation on properties is made once every five (5) years, to assess for 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 as stated in Note 4.12.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.10 Property, Plant And Equipment And Depreciation (Cont'd.)

The depreciation rate on the purchase of completed building of which the cost of land and building could not be specifically identified at the acquisition stage will follow the depreciation rate of building which is at 2%.

Upon the disposal of Property, Plant And Equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the Income Statement.

4.11 Investment Properties

Investment Properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties are stated at cost less any accumulated depreciation and impairment loss. Investment properties are depreciated on straight line basis to write off the cost of the assets to their residual values over their estimated useful life of 40 – 50 years. On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be eliminated from the Balance Sheet.

The difference between the net disposal proceeds and the carrying amount is recognised in Income Statement in the period of the retirement or disposal.

4.12 Impairment Of Assets

Assets that have an indefinite useful life 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An Impairment Loss is charged to the Income Statement. Impairment loss on goodwill are not reversed. In respect of other assets, 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.

4.13 Accounting For Members' Contributions

Contributions are credited to members' account following the contribution month on cash received basis except for cases of which crediting is based on Invocation of Section 50(3), EPF Act, 1991 is in accordance with Note 4.24.

4.14 Receivables

Receivables are carried at invoice amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

4.15 Assets Held For Sale

Non-current assets (or disposal Groups) classified as assets held for sale are stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.16 Land Held For Property Development

Land Held For Property Development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at costs less any accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 4.12. Land Held For Property Development is classified as Property Development Costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

4.17 Property Development Costs

Property Development Costs comprise all costs that are directly attributable to development activities or that can be allocated on reasonable basis to such activities. When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the Income Statement using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent property development costs incurred will be recovered and property development costs on properties sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property Development Costs capitalised as an expense are recognised as an asset, is measured at the lower of cost and net realisable value. The excess of revenue recognised in the Income Statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the Income Statement is classified as progress billings within trade payables.

4.18 Inventories Of Completed Properties

Inventories Of Completed Properties are stated at the lower of cost (determined on specific identification basis) and net realisable value. Cost include costs of land, construction and appropriate development overheads.

4.19 Provision For Employee Benefits

a. Short Term Benefits

Wages, salaries, bonuses, social security contributions and gratuity paid to contract staffs are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees whereas short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

b. Defined Contribution Plans

Contribution is made to EPF for employees who have elected to receive EPF benefits and also the Government Pension Fund for those in the pensionable scheme.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.19 Provision For Employee Benefits (Cont'd.)

c. Long Term Benefits

EPF has adopted FRS 119 – Employee Benefits of which payment of long term benefits to employees after retirement and / or after the completion of contract service is recognised on an accrual basis in the current year Income Statement as expenses for employee benefits whereas in the Balance Sheet such amount is recognised as a liability known as Provision For Employee Benefits. Types of long term benefit which will be recognised on an accrual basis are as follows:

- i. Post-employment medical benefit;
- ii. Cash award in lieu of annual leave (inclusive of the employer share on contribution for such payment).

The computation on post-employment medical benefits is determined by an actuarial valuation every three (3) years. The principal assumptions used on the actuarial valuation are:

- i. An inflation rate of 5% per annum on the medical treatment cost; and
- ii. A discount rate of 7% per annum.

The net cumulative actuarial gains and losses in excess of 10% of the present value of the benefit obligation is recognised in the Income Statement over the expected average remaining working lives of the employees of 17 years.

However, the computation of cash in lieu of annual leave payable to retirees on the actual information available on the Balance Sheet date and the eligibility based on the terms and conditions of service. The current salary rate is used to compute these liabilities.

d. Termination Benefits

Termination benefits are payable 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 possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

e. Equity Compensation Benefits (MBSB)

The MBSB's Share Option Scheme (ESOS) allows its staff (including executive directors) other than subsidiaries which are dormant, to acquire ordinary shares of the subsidiary company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

4.20 Provision For Other Liabilities And Charges

Provision For Liabilities are recognised when the subsidiary company has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

4.21 Taxation

EPF is exempted from income tax on its income under paragraph 20 – Schedule 6, Part 1, Income Tax Act, 1967.

Income tax of the subsidiary company on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the Balance Sheet date.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.21 Taxation (Cont'd.)

Deferred tax is provided for, using the liability method, on the temporary differences at the Balance Sheet date between the tax basis of assets and liabilities and their carrying amounts in the Financial Statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is recognised in the Income Statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

4.22 Dividend Credited / Paid To Members

Annual dividend is calculated on the opening balance as at 01 January (less withdrawals) and dividend on monthly contributions following contributions month and credited to the members' account at the end of the financial year. Dividend on withdrawals is calculated from the beginning of the year in which the withdrawal is made until the date the contributions' account is debited. The contributions and minimum annual dividend of 2.5% are guaranteed by the Government. Income received in the current year is distributed to members to the maximum after taking into account all expenditures incurred, based on the accounting policies approved by the Board.

4.23 Foreign Currency

a. 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 Financial Statements are presented in Ringgit Malaysia, which is the EPF's functional and presentation currency.

b. Transactions And Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the Balance Sheet date. 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.

4.24 Section 50(3) Reserve

Section 50(3) Reserve is created under Section 15, EPF Act, 1991. The reserve is created to finance the implementation of Section 50(3), EPF Act, 1991 which requires the Board to pay the employees' share of contributions as well as dividend attributable on the said contribution for deduction that has been made on the employees' salary, should the employers fail to pay the share of such contributions. Any amount in excess / (shortage) of RM40.00 million will be transferred to / (from) retained earnings.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

4.25 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 the past events whose existence will be confirmed by the occurrence or non-occurrence of one (1) 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 cases 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 (1) 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.

4.26 Cash And Cash Equivalents

Cash And Cash Equivalents consist of cash in hand and at banks and deposits with financial institutions to facilitate any need of liquidity.

4.27 Intangible Assets

The expenditure incurred on the Information Technology Software Licence is measured on recognition cost. Following an initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight line basis over the estimated economic useful life and assessed for impairment whenever there is indication that the intangible asset may be impaired.

4.28 Leases

a. Leases – Where The Group Is A Lessee

Operating Lease

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 a straight line basis over the period of the lease.

The up front payments made for leasehold land represents prepaid lease rentals and are amortised on straight line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

b. Leases – Where The Group Is A Lessor

Operating Lease

When assets are leased out under an operating lease, the asset is included in the Balance Sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight line basis.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's result and financial position are tested for sensitivity to changes in the underlying parameters.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

5.1 Post-Employment Medical Benefit Obligation

The present value of the Post-Employment Medical Benefit Obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for post-employment medical include the discount rate and the expected medical cost rate. Any changes in these assumptions will impact the carrying amount of Post-Employment Medical Benefit Obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Group considers the interest rates of high quality Corporate Bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related liability.

The medical cost rate is based on the average historical cost incurred by EPF.

Where the expected medical cost rate to differ by 10% from management's estimates, the carrying amount of Post-Employment Medical Benefit Obligation would be an estimated RM11.30 million higher or RM10.00 million lower.

Where the discount rate used to differ by 10% from management's estimates, the carrying amount of Post-Employment Medical Benefit Obligation would be an estimated RM13.80 million lower or RM16.80 million higher.

6. DEFERRED TAX

	GROUP	
	2007 (RM'000)	2006 (RM'000)
As At 01 January	(3,834)	6,240
<u>Less:</u>		
Amount Recognised In The Income Statement	(16,480)	(10,074)
As At 31 December	(20,314)	(3,834)
The Following Amounts Determined After Appropriate Set Off Are Shown In The Balance Sheet:		
Deferred Tax Asset	(40,000)	(30,000)
Deferred Tax Liability	19,686	26,166
	(20,314)	(3,834)

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

6. DEFERRED TAX (CONT'D.)

The components and movements in Deferred Tax Assets and Liabilities during the financial year comprise of the followings:

6.1 Deferred Tax Assets / Liabilities

	Unutilised Tax Losses (RM'000)	Fair Value Adjustment From Business Combination (RM'000)	Property, Plant And Equipment (RM'000)	Other Temporary Differences (RM'000)	Total (RM'000)
As At 01 January 2007	(30,696)	25,366	1,046	450	(3,834)
<u>Less:</u>					
Amount Recognised In Income Statement	(10,350)	(74)	(6,056)	—	(16,480)
As At 31 December 2007	(41,046)	25,292	(5,010)	450	(20,314)
As At 01 January 2006	(20,904)	25,440	1,254	450	6,240
<u>Less:</u>					
Amount Recognised In Income Statement	(9,792)	(74)	(208)	—	(10,074)
As At 31 December 2006	(30,696)	25,366	1,046	450	(3,834)

7. PROPERTY, PLANT AND EQUIPMENT

7.1 GROUP

2007	As At 01 January (RM'000)	Reclassification Due To FRS 117 And FRS 140 (RM'000)	Acquisition Of Subsidiaries (RM'000)	Additions (RM'000)	(Disposals) / Adjustments / Reclassification (RM'000)	Written Offs (RM'000)	Reversal Of Impairment Loss (RM'000)	As At 31 December (RM'000)
COST								
Freehold Land	27,018	—	—	—	—	—	—	27,018
Buildings	595,427	—	—	3,835	3,800	—	—	603,062
Building Plant And Machinery	28,101	—	—	480	2,299	(177)	—	30,703
Office / Building Renovation	78,573	—	2,158	1,477	1,214	—	—	83,422
Furniture, Fixtures And Fittings	44,617	—	2,303	2,639	246	(144)	—	49,661
Motor Vehicles	5,164	—	1,678	657	(131)	(193)	—	7,175
Office Equipment	88,917	—	—	1,713	1,050	(990)	—	90,690
Computer Software And Hardware	148,537	—	1,517	63,455	(58,081)	(7,937)	—	147,491
Work-In-Progress	56,465	—	—	38,310	(53,905)	—	—	40,870
	1,072,819	—	7,656	112,566	(103,508)	(9,441)	—	1,080,092

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.1 GROUP (Cont'd.)

2007	As At 01 January	Reclassification Due To FRS 117 And FRS 140	Acquisition Of Subsidiaries	Additions	(Disposals) / Adjustments / Reclassification	Written Offs	Reversal Of Impairment Loss	As At 31 December
ACCUMULATED DEPRECIATION	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Freehold Land	371	—	—	—	—	—	—	371
Buildings	194,262	—	—	14,858	(2,436)	—	—	206,684
Building Plant And Machinery	24,984	—	—	1,056	871	(177)	—	26,734
Office / Building Renovation	41,208	—	2,155	13,491	(2,049)	—	—	54,805
Furniture, Fixtures And Fittings	42,604	—	2,242	1,432	109	(144)	—	46,243
Motor Vehicles	4,264	—	1,624	408	(131)	(195)	—	5,970
Office Equipment	85,060	—	—	1,559	400	(990)	—	86,029
Computer Software And Hardware	126,330	—	1,420	9,724	675	(7,911)	—	130,238
	519,083	—	7,441	42,528	(2,561)	(9,417)	—	557,074

2006

COST

Freehold Land	170,133	(148,190)	—	—	5,075	—	—	27,018
Leasehold Land	200,744	(200,744)	—	—	—	—	—	—
Buildings	822,843	(244,818)	—	13,329	4,073	—	—	595,427
Building Plant And Machinery	27,959	—	—	237	(95)	—	—	28,101
Office / Building Renovation	65,923	—	—	12,244	406	—	—	78,573
Furniture, Fixtures And Fittings	44,927	—	—	1,192	(1,502)	—	—	44,617
Motor Vehicles	5,123	—	—	115	(74)	—	—	5,164
Office Equipment	88,390	—	—	1,209	(682)	—	—	88,917
Computer Software And Hardware	135,071	—	—	27,040	(13,574)	—	—	148,537
Work-In-Progress	32,028	—	—	98,083	(73,646)	—	—	56,465
	1,593,141	(593,752)	—	153,449	(80,019)	—	—	1,072,819

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.1 GROUP (Cont'd.)

2006	As At 01 January	Reclassification Due To FRS 117 And FRS 140	Acquisition Of Subsidiaries	Additions	(Disposals) / Adjustments / Reclassification	Written Offs	Reversal Of Impairment Loss	As At 31 December
ACCUMULATED DEPRECIATION	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Freehold Land	33	—	—	—	3,938	—	(3,600)	371
Leasehold Land	33,153	(33,153)	—	—	—	—	—	—
Buildings	185,121	(11,552)	—	22,509	6,710	—	(8,526)	194,262
Building Plant And Machinery	24,086	—	—	1,006	(108)	—	—	24,984
Office / Building Renovation	32,294	—	—	10,869	(1,955)	—	—	41,208
Furniture, Fixtures And Fittings	41,192	—	—	1,626	(214)	—	—	42,604
Motor Vehicles	3,697	—	—	636	(69)	—	—	4,264
Office Equipment	83,974	—	—	1,746	(660)	—	—	85,060
Computer Software And Hardware	123,038	—	—	7,104	(3,812)	—	—	126,330
	526,588	(44,705)	—	45,496	3,830	—	(12,126)	519,083

7.2 EPF

2007	As At 01 January	Reclassification Due To FRS 117 And FRS 140	Additions	(Disposals) / Adjustments / Reclassification	Written Offs	Reversal Of Impairment Loss	As At 31 December
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Buildings	306,215	—	3,495	250	—	—	309,960
Building Plant And Machinery	28,076	—	480	2,324	(178)	—	30,702
Office / Building Renovation	68,149	—	721	1,214	—	—	70,084
Furniture, Fixtures And Fittings	26,140	—	251	253	(144)	—	26,500
Motor Vehicles	4,395	—	581	—	(193)	—	4,783
Office Equipment	88,855	—	1,630	1,073	(990)	—	90,568
Computer Software And Hardware	132,335	—	5,236	—	(7,935)	—	129,636
Work-In-Progress	54,547	—	38,310	(51,987)	—	—	40,870
	708,712	—	50,704	(46,873)	(9,440)	—	703,103
2007 ACCUMULATED DEPRECIATION							
Buildings	108,763	—	7,726	—	—	—	116,489
Building Plant And Machinery	24,981	—	1,056	874	(177)	—	26,734
Office / Building Renovation	32,690	—	13,008	(2,029)	—	—	43,669
Furniture, Fixtures And Fittings	25,326	—	589	91	(144)	—	25,862
Motor Vehicles	3,813	—	294	—	(195)	—	3,912
Office Equipment	85,052	—	1,547	403	(990)	—	86,012
Computer Software And Hardware	113,229	—	8,728	661	(7,911)	—	114,707
	393,854	—	32,948	—	(9,417)	—	417,385

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

7.2 EPF (Cont'd.)

2006	As At 01 January	Reclassification Due To FRS 117 And FRS 140	Additions	(Disposals) / Adjustments / Reclassification	Written Offs	Reversal Of Impairment Loss	As At 31 December
COST	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Leasehold Land	189,026	(189,026)	—	—	—	—	—
Buildings	292,886	—	13,329	—	—	—	306,215
Building Plant And Machinery	27,956	—	217	(97)	—	—	28,076
Office / Building Renovation	56,236	—	11,913	—	—	—	68,149
Furniture, Fixtures And Fittings	25,405	—	881	(146)	—	—	26,140
Motor Vehicles	4,458	—	6	(69)	—	—	4,395
Office Equipment	88,382	—	1,154	(681)	—	—	88,855
Computer Software And Hardware	116,975	—	26,376	(11,016)	—	—	132,335
Work-In-Progress	30,110	—	98,083	(73,646)	—	—	54,547
	831,434	(189,026)	151,959	(85,655)	—	—	708,712

2006

ACCUMULATED DEPRECIATION

Leasehold Land	32,190	(32,190)	—	—	—	—	—
Buildings	108,828	—	8,300	—	—	(8,365)	108,763
Building Plant And Machinery	24,071	—	1,003	(93)	—	—	24,981
Office / Building Renovation	22,183	—	10,507	—	—	—	32,690
Furniture, Fixtures And Fittings	24,349	—	1,122	(145)	—	—	25,326
Motor Vehicles	3,349	—	532	(68)	—	—	3,813
Office Equipment	83,988	—	1,739	(675)	—	—	85,052
Computer Software And Hardware	109,979	—	6,263	(3,013)	—	—	113,229
	408,937	(32,190)	29,466	(3,994)	—	(8,365)	393,854

7.3 NET BOOK VALUE

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Freehold Land	26,647	26,647	—	—
Buildings	396,378	401,165	193,471	197,452
Building Plant And Machinery	3,969	3,117	3,968	3,095
Office / Building Renovation	28,617	37,365	26,415	35,459
Furniture, Fixtures And Fittings	3,418	2,013	638	814
Motor Vehicles	1,205	900	871	582
Office Equipment	4,661	3,857	4,556	3,803
Computer Software And Hardware	17,253	22,207	14,929	19,106
Work-In-Progress	40,870	56,465	40,870	54,547
	523,018	553,736	285,718	314,858

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

8. INVESTMENT PROPERTIES

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Net Book Value				
As At 01 January				
– As Previously Stated	1,312,840	913,943	905,946	913,943
– Restatement	—	381,501	—	—
– As Restated	1,312,840	1,295,444	905,946	913,943
Acquisition Of Subsidiary	392,000	—	—	—
Additions	409,520	25,393	408,671	—
Disposals	(622,500)	—	(230,500)	—
Depreciation	(24,608)	(17,301)	(19,186)	(17,301)
Impairment Loss	(108)	(510)	—	(510)
Reversal Of Impairment Loss	—	9,814	—	9,814
As At 31 December	1,467,144	1,312,840	1,064,931	905,946

9. INTANGIBLE ASSETS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
As At 01 January	8,190	1,907	6,803	—
Additions	58,033	8,003	57,899	8,003
Amortisation	(13,723)	(1,720)	(13,167)	(1,200)
As At 31 December	52,500	8,190	51,535	6,803

10. PREPAID LAND LEASE

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Cost				
As At 01 January				
– As Previously Stated	176,565	—	164,847	—
– Reclassified From Property, Plant And Equipment Due To Adoption Of FRS 117	—	200,744	—	189,026
– As Restated	176,565	200,744	164,847	189,026
Disposals	(34,795)	(24,179)	(34,795)	(24,179)
As At 31 December	141,770	176,565	130,052	164,847

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

10. PREPAID LAND LEASE (CONT'D.)

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
<u>Less:</u>				
Accumulated Amortisation / Impairment				
As At 01 January:				
– As Previously Stated	23,083	—	21,811	—
– Reclassified From Property, Plant And Equipment Due To Adoption Of FRS 117	—	33,153	—	32,190
– As Restated	23,083	33,153	21,811	32,190
Amortisation For The Financial Year	1,315	2,174	1,150	2,009
Disposals	(3,542)	(4,099)	(3,542)	(4,243)
Reversal Of Impairment Loss	—	(8,145)	—	(8,145)
As At 31 December	20,856	23,083	19,419	21,811
Net Book Value As At 31 December	120,914	153,482	110,633	143,036

11. ASSETS HELD FOR SALE

The major classes of assets of the Group classified as Assets Held For Sale on the Consolidated Balance Sheet as at 31 December 2007 are as follows:

	GROUP			
	2007		2006	
	Book Value (RM'000)	Market Value (RM'000)	Book Value (RM'000)	Market Value (RM'000)
Other Receivables	—	—	93,710	93,710
Land Held For Development	—	—	147,268	147,268
Property, Plant And Equipment	—	—	3,640	3,640
<u>Quoted Shares</u>				
Ordinary Shares	6,885,437	6,733,243	—	—
<u>Less:</u>				
Accumulated Impairment Loss	(737,436)	—	—	—
Other Assets *	6,148,001	6,733,243	—	—
	4,650	4,650	—	—
	6,152,651	6,737,893	244,618	244,618

* Being subsidiaries of Rashid Hussain Berhad, whereby the management is committed to sell it in the near future.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

11. ASSETS HELD FOR SALE (CONT'D.)

	EPF		2006	
	2007			
	Book value (RM'000)	Market value (RM'000)	Book value (RM'000)	Market value (RM'000)
<u>Quoted Shares</u>				
Ordinary Shares	6,885,437	6,733,243	—	—
<u>Less:</u>				
Accumulated Impairment Loss	(737,436)	—	—	—
	6,148,001	6,733,243	—	—

Included in Assets Held For Sale are RHB Capital Berhad's shares which will be disposed as stated in Note 41.

12. LAND HELD FOR PROPERTY DEVELOPMENT

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Freehold Land				
Cost As At 01 January	—	203,675	—	—
<u>Less:</u>				
Reclassified As Asset Held For Sale	—	(158,240)	—	—
Disposal / Redemption	—	(45,435)	—	—
Cost As At 31 December	—	—	—	—
Accumulated Impairment Loss As At 01 January	—	120,980	—	—
<u>Less:</u>				
Reclassified As Asset Held For Sale	—	(60,170)	—	—
Disposal / Redemption	—	(60,810)	—	—
Accumulated Impairment Loss As At 31 December	—	—	—	—
Carrying Value As At 31 December	—	—	—	—
Leasehold Land				
Cost As At 01 January	64,938	156,391	64,938	64,926
<u>Add:</u>				
Acquisition / Additional Cost For The Year	8	12	8	12
<u>Less:</u>				
Reclassified As Asset Held For Sale	—	(76,375)	—	—
Disposal / Redemption	—	(15,090)	—	—
Cost As At 31 December	64,946	64,938	64,946	64,938
Accumulated Impairment Loss As At 01 January	—	15,090	—	—
<u>Less:</u>				
Reclassified As Asset Held For Sale	—	(15,090)	—	—
Accumulated Impairment Loss As At 31 December	—	—	—	—
Carrying Value As At 31 December	64,946	64,938	64,946	64,938
Total Carrying Value As At 31 December	64,946	64,938	64,946	64,938

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

13. PROPERTY DEVELOPMENT COSTS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
As At 01 January:				
Freehold Land	11,446	23,886	—	—
Development Costs	139,788	173,813	133,632	91,060
	151,234	197,699	133,632	91,060
Costs Incurred During The Year:				
Development Costs	14,129	44,253	14,129	42,572
Cost Recognised In Income Statement	(8,992)	(70,948)	—	—
<u>Transfers:</u>				
To Property, Plant And Equipment	—	(4,501)	—	—
To Investment Properties	—	(22,824)	—	—
<u>Disposal:</u>				
Freehold Land Disposed	(2,439)	—	—	—
Property Development Costs As At 31 December	153,932	143,679	147,761	133,632

The freehold land under the Land Held For Property Development and Property Development Costs of the Group are registered under the names of the respective joint venture partners.

No interest expense were included in Property Development Costs of the Group incurred during the financial year.

14. INVESTMENTS IN SUBSIDIARIES

EPF	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
Quoted Shares In Malaysia	635,146	245,005	706,668	253,424
<u>Less:</u>				
Accumulated Impairment Loss	(390,141)		(453,244)	
	245,005		253,424	
Unquoted Shares In Malaysia	551,529	548,401	299,756	296,628
<u>Less:</u>				
Accumulated Impairment Loss	(3,128)		(3,128)	
	548,401		296,628	
	793,406		550,052	
Loans To Subsidiary Companies	150,000		200,000	
Advance To Subsidiary Companies	378,687		383,069	
Capital Advance *	149,403		148,717	
	678,090		731,786	
	1,471,496		1,281,838	

* Capital Advance will be capitalised as shares in the related subsidiary companies as approved by the Ministry Of Finance.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

The list of subsidiary companies are disclosed in Note 46.

The maturity structure of the Loans To Subsidiary Companies are as follows:

	EPF	
	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	50,000	50,000
Maturing After 12 Months	628,090	681,786
	678,090	731,786

15. INVESTMENTS IN ASSOCIATES

15.1 GROUP

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
Quoted Shares In Malaysia	4,009,654	3,900,437	1,860,854	588,849
<u>Less:</u>				
Accumulated Impairment Loss	(397,081)		(1,318,559)	
	3,612,573		542,295	
Unquoted Shares In Malaysia	901,252	895,095	102,500	100,359
<u>Less:</u>				
Accumulated Impairment Loss	(9,648)		(2,141)	
	891,604		100,359	
Loans	4,504,177		642,654	
	39,950		41,950	
	4,544,127		684,604	
<u>Add / (Less):</u>				
Profit / (Loss) And Adjustments On Associates:				
Projek Bandar Samariang Sdn Bhd	—		(704)	
Panca Pesona Sdn Bhd	4,336		3,124	
Cycle & Carriage Bintang Bhd	—		14,636	
Rashid Hussain Bhd	—		(206,341)	
Malaysian Resources Corporation Bhd	(8,434)		(34,746)	
Bandar Eco – Setia Sdn Bhd	27,770		16,872	
RHB Capital Berhad	(17,451)		—	
South Johor Investment Corporation Berhad	(10,802)		—	
HSBC Amanah Takaful (M) Sdn Bhd	2,215		—	
	(2,366)		(207,159)	
	4,541,761		477,445	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

15. INVESTMENTS IN ASSOCIATES (CONT'D.)

15.1 GROUP (Cont'd.)

Based on effective equity interest as at year end, the financial position of the associates are as follows:

	GROUP	
	2007 (RM'000)	2006 (RM'000)
Assets	38,521,665	31,893,273
Liabilities	35,766,793	30,759,282
Revenue	2,065,542	1,981,525
Profit After Taxation	445,554	92,676

15.2 EPF

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
Quoted Shares In Malaysia	4,009,654	3,900,437	1,860,854	588,849
<u>Less:</u> Accumulated Impairment Loss	(397,081)		(1,318,559)	
	3,612,573		542,295	
Unquoted Shares In Malaysia	901,252	895,095	102,500	100,359
<u>Less:</u> Accumulated Impairment Loss	(9,648)		(2,141)	
	891,604		100,359	
Loans	4,504,177		642,654	
	39,950		41,950	
	4,544,127		684,604	

The maturity structure of the Loans To Associates are as follows:

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	—	41,950
Maturing After 12 Months	39,950	—
	39,950	41,950

The list of Associates are disclosed in Note 47.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

16. INVESTMENTS

16.1 GROUP

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	—	—	4,424	1,446
<u>Less:</u>				
Investment Revaluation Account	—		(2,978)	
Directors' Valuation	—		1,446	
Malaysian Government Securities	103,326,761	106,701,489	98,701,356	104,256,423
Malaysian Government Islamic Bonds	9,605,304	9,552,645	3,878,273	3,907,897
Long Term Quoted Shares In Malaysia	39,101,520	57,501,541	44,571,757	49,804,590
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,303,974)		(2,628,742)	
	36,797,546		41,943,015	
Long Term Investment With Portfolio Managers Outside Malaysia	3,177,351	3,314,119	812,087	854,884
Long Term Quoted Shares Outside Malaysia	2,149,636	3,941,380	1,024,185	1,828,047
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(34,163)		—	
	2,115,473		1,024,185	
Long Term Investment With Portfolio Managers	10,290,600	12,240,439	9,035,942	9,408,659
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(60,923)		(146,841)	
	10,229,677		8,889,101	
Directors' Valuation	165,252,112		155,248,017	
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	1,877,498		557,824	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(135,000)		(135,000)	
	1,742,498		422,824	
Unquoted Shares Outside Malaysia	819,377		668,170	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(8,673)		(8,673)	
	810,704		659,497	
Directors' Valuation	2,553,202		1,082,321	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

16. INVESTMENTS (CONT'D.)

16.1 GROUP (Cont'd.)

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
BONDS				
Private Debt Securities	38,919,758	—	33,649,685	—
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(100,133)		—	
	38,819,625		33,649,685	
Commercial Papers	—	—	67,200	—
Loan Stocks	148,879	—	147,552	—
Quoted Loan Stocks	95,463	174,359	277,862	459,594
Fixed Income Fund Managers	6,074,838	5,994,938	5,226,035	5,265,136
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(39,791)		(8,632)	
	6,035,047		5,217,403	
Cagamas Securities	4,419,007	4,440,455	4,873,612	4,902,277
Conventional Bonds	1,635,468	1,160,912	660,775	660,857
Islamic Bonds	2,600,000	2,532,188	2,480,000	2,478,290
	53,753,489		47,374,089	
	221,558,803		203,705,873	

The maturity structure of the Malaysian Government Securities and Bonds (excluding Loan Stocks and Quoted Loan Stocks) are as follows:

	GROUP	
	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	17,472,414	13,588,853
Maturing After 12 Months	149,108,722	135,948,083
	166,581,136	149,536,936

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

16. INVESTMENTS (CONT'D.)

16.2 EPF

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
QUOTED SECURITIES				
Short Term Quoted Shares In Malaysia	—	—	4,424	1,446
<u>Less:</u>				
Investment Revaluation Account	—		(2,978)	
Directors' Valuation	—		1,446	
Malaysian Government Securities	103,326,761	106,701,489	98,701,356	104,256,423
Malaysian Government Islamic Bonds	9,605,304	9,552,645	3,878,273	3,907,897
Long Term Quoted Shares In Malaysia	39,100,466	57,501,541	44,571,199	49,804,032
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(2,303,974)		(2,628,742)	
	36,796,492		41,942,457	
Long Term Investment With Portfolio Managers Outside Malaysia	3,177,351	3,314,119	812,087	854,884
Long Term Quoted Shares Outside Malaysia	2,149,636	3,941,380	1,024,185	1,828,047
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(34,163)		—	
	2,115,473		1,024,185	
Long Term Investment With Portfolio Managers	10,290,600	12,240,439	9,035,942	9,408,659
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(60,923)		(146,841)	
	10,229,677		8,889,101	
Directors' Valuation	165,251,058		155,247,459	
UNQUOTED SECURITIES				
Unquoted Shares In Malaysia	1,834,428		514,754	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(135,000)		(135,000)	
	1,699,428		379,754	
Unquoted Shares Outside Malaysia	819,377		668,170	
<u>Less:</u>				
Allowance For Diminution In Value Of Investments	(8,673)		(8,673)	
	810,704		659,497	
Directors' Valuation	2,510,132		1,039,251	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

16. INVESTMENTS (CONT'D.)

16.2 EPF (Cont'd.)

	2007		2006	
	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)	Cost / Book Value (RM'000)	Market Value / Net Tangible Asset (RM'000)
BONDS				
Private Debt Securities	38,919,758	—	33,649,685	—
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(100,133)		—	
	38,819,625		33,649,685	
Fixed Income Fund Managers	6,074,838	5,994,938	5,226,035	5,265,136
<u>Less:</u>				
Specific Allowance For Bad And Doubtful Debts	(39,791)		(8,632)	
	6,035,047		5,217,403	
Commercial Papers	—	—	67,200	—
Loans Stock	1,171,157	—	147,552	—
Quoted Loans Stock	95,463	174,359	277,862	459,594
Cagamas Securities	4,419,007	4,440,455	4,873,612	4,902,277
Conventional Bonds	1,635,468	1,160,912	660,775	660,857
Islamic Bonds	2,600,000	2,532,188	2,480,000	2,478,290
	54,775,767		47,374,089	
	222,536,957		203,662,245	

The maturity structure of the Malaysian Government Securities And Bonds (excluding Loan Stocks and Quoted Loan Stocks) are as follows:

	EPF	
	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	17,472,414	13,588,853
Maturing After 12 Months	149,108,722	135,948,083
	166,581,136	149,536,936

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

17. LOANS, ADVANCES AND FINANCING

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Guaranteed Loans	57,502,696	48,435,833	57,502,696	48,435,833
End Finance:				
Normal Housing Programme	3,720,923	3,149,859	—	—
Low Cost Housing Programme	19,037	18,313	—	—
Islamic Loans:				
Property	670,672	342,821	—	—
Personal	233,975	134,049	—	—
Bridging And Term Loans	4,787,176	4,526,345	—	—
Staff Loans	84,847	81,889	83,941	80,865
Conventional Loans:				
Staff Loans	95,860	98,295	95,860	98,295
Gross Loans, Advances And Financing	67,115,186	56,787,404	57,682,497	48,614,993
<u>Less:</u>				
Allowance For Bad And Doubtful Loans:				
Specific	(631,608)	(660,428)	(75,165)	(75,233)
General	(62,042)	(52,501)	—	—
Interest / Income-In-Suspense	(2,772,804)	(2,448,359)	(38)	(33)
Net Loans, Advances And Financing	63,648,732	53,626,116	57,607,294	48,539,727

The maturity structure of Loans, Advances And Financing are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	4,314,053	10,724,160	4,137,403	10,629,897
Maturing After 12 Months	62,801,133	46,063,244	53,545,094	37,985,096
	67,115,186	56,787,404	57,682,497	48,614,993

The Group has no significant concentration of credit risk within Loans, Advances And Financing that may arise from exposures to a single debtor or to group of debtors. Included in the bridging and term loans granted by the Group in respect of joint venture projects are the following non-performing loans:

	GROUP	
	2007 (RM'000)	2006 (RM'000)
Loans To Joint Venture Partners	243,111	243,111

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

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

17.1 Movements In Non-Performing Loans, Advances And Financing (including interest and profit in suspense) are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Non-Performing Loans:				
Balance As At The Beginning Of The Financial Year	4,180,141	4,217,630	266	159
Classified As Non-Performing	1,185,053	467,116	41	122
Reclassified As Performing	(285,103)	(150,277)	(4)	(1)
Amount Recovered	(182,959)	(97,361)	(100)	(14)
Amount Written Off	(207,399)	(256,967)	—	—
Balance As At The End Of The Financial Year	4,689,733	4,180,141	203	266
Interest / Profit In Suspense	(2,767,386)	(2,372,671)	(38)	(33)
Specific Allowance	(556,608)	(544,994)	(165)	(233)
Net Non-Performing Loans, Advances And Financing	1,365,739	1,262,476	—	—
Ratio Of Net Non-Performing Loans, Advances And Financing As % Of Gross Loans, Advances And Financing Less Specific Allowance And Interest / Profit In Suspense	22%	25%	0%	0%

17.2 Movements In Allowance For Bad And Doubtful Debts And Financing are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Specific Allowance:				
Balance As At The Beginning Of The Financial Year	660,428	651,765	75,233	246,748
Allowances Made During The Year	68,323	86,248	32	116
Amount Recovered	(45,254)	(67,702)	(100)	(171,631)
Amount Written Off	(51,889)	(9,883)	—	—
Balance As At The End Of The Financial Year	631,608	660,428	75,165	75,233
General Allowance:				
Balance As At The Beginning Of The Financial Year	52,499	42,912	—	—
Allowances Made During The Year	9,543	9,587	—	—
Balance As At The End Of The Financial Year	62,042	52,499	—	—

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

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

17.2 Movements in Allowance For Bad And Doubtful Debts And Financing Accounts are as follows: (Cont'd.)

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Interest-In-Suspense:				
Balance As At The Beginning Of The Financial Year	2,448,359	2,278,765	33	28
Interest Suspended During The Year	474,462	433,656	9	6
Reclassified From Gross Loans	—	13,983	—	—
Amount Recovered	(39,629)	(30,961)	(4)	(1)
Amount Written Off	(110,388)	(247,084)	—	—
Balance As At The End Of The Financial Year	2,772,804	2,448,359	38	33

18. INVENTORIES OF COMPLETED PROPERTIES

	GROUP	
	2007 (RM'000)	2006 (RM'000)
At Cost	146	107
<u>At Net Realisable Value:</u>		
Inventories Of Completed Properties	25,485	29,814
Land Held For Sale	141,041	—
	166,672	29,921

The cost of inventories recognised as an expense was RM4,191,000 (2006 : RM10,488,627). Land held for sale is previously acquired for development and is now held for sale. Land held for sale is registered under the name of a subsidiary company amounting to RM8,200,000 (2006 : RM8,200,000) and in the process of transfer from the third party amounting RM680,000 (2006 : RM680,000).

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

19. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Prepayments And Deposits	965	366	609	677
Rental Deposits	2,034	1,459	1,646	1,459
Rental Of Buildings	3,768	4,320	2,226	4,320
Unsecured Advances For Joint Venture Projects	205,968	192,636	—	—
Accruals On Sale Of Investments	583,648	281,697	583,648	281,697
Interest Exempted From Restructuring Scheme	40,578	40,578	—	—
Foreclosed Properties	52,261	—	—	—
Service Charge Receivable	29,864	24,711	29,864	24,711
Trade Receivables	28,295	30,128	—	—
Miscellaneous	88,169	111,040	43,058	55,158
	1,035,550	686,935	661,051	368,022
<u>Less:</u>				
Allowance For Doubtful Debts	(227,342)	(232,074)	—	(1,550)
	808,208	454,861	661,051	366,472

All Receivables, Deposits And Prepayments matures within 12 months.

20. DEPOSITS WITH FINANCIAL INSTITUTIONS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Licensed Banks / Islamic Banks	16,615,184	26,633,085	15,318,666	26,633,055
Licensed Investment Banks	1,772,392	2,340,000	1,669,999	2,340,000
Central Bank	1,138,657	680,789	1,138,657	680,789
Other Financial Institutions	1,131,206	773,041	1,131,206	773,041
	20,657,439	30,426,915	19,258,528	30,426,885

The maturity structure of Deposits With Financial Institutions are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	16,975,107	26,371,586	15,678,919	26,371,556
Maturing After 12 Months	3,682,332	4,055,329	3,579,609	4,055,329
	20,657,439	30,426,915	19,258,528	30,426,885

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

21. PROVISION FOR EMPLOYEE BENEFITS

GROUP AND EPF

	2007 (RM'000)	2006 (RM'000)
As At 01 January	77,428	62,840
<u>Add:</u>		
Provision Made During The Year	17,530	17,258
	94,958	80,098
<u>Less:</u>		
Payment Made During The Year	(2,997)	(2,670)
As At 31 December	91,961	77,428

The maturity structure of the Provision For Employee Benefits are as follows:

GROUP AND EPF

	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	7,416	7,063
Maturing After 12 Months	84,545	70,365
	91,961	77,428

22. PROVISION FOR OTHER LIABILITIES AND CHARGES

GROUP

	2007 (RM'000)	2006 (RM'000)
As At 01 January	3,380	3,610
<u>Less:</u>		
Reversal Of Provisions During The Year	(3,380)	(230)
As At 31 December	—	3,380

Provision for liquidated damages is in respect of projects undertaken by subsidiary company. The provision is recognised for expected liquidated damages claims based on the terms of the applicable sale and purchase agreements.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

23. LOANS AND OVERDRAFTS

	GROUP	
	2007 (RM'000)	2006 (RM'000)
Bank Borrowings And Overdrafts	591,013	277,557
Recourse Obligations On Loans Sold To Cagamas Berhad	14,511	15,006
Other Borrowings	1,095	2,062
	606,619	294,625

The maturity structure of the Loans And Overdrafts are as follows:

	GROUP	
	2007 (RM'000)	2006 (RM'000)
Maturing Within 12 Months	506,605	278,606
Maturing After 12 Months	100,014	16,019
	606,619	294,625

The following details in respect of Loans And Overdrafts are as follow:

23.1 Bank Borrowings

Bank borrowings are unsecured and interest charged on these borrowings is based on the lenders' cost of funds plus 0.50% to 0.75% (2006 : cost of funds plus 0.50% to 0.75%). The interest charged on these borrowings during the year ranged from 3.59% to 4.51% (2006 : 3.59% to 4.51%) per annum. The bank borrowings are due within one (1) year.

24. DEPOSITS AND ADVANCES

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Employers' Instalments	96,552	64,225	96,552	64,225
Remittance Suspense	26,072	528	26,072	528
Clients' Deposits	5,387,678	4,949,920	—	—
Deposits From Subsidiary Companies	—	—	100	100
Deposits Of Office Rentals	11,738	3,370	11,638	3,370
Advances For Joint Venture Projects	18,362	5,865	18,362	5,865
Miscellaneous Deposits	516	40	516	40
	5,540,918	5,023,948	153,240	74,128

All Deposits And Advances are maturing within 12 months.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

25. CREDITORS AND ACCRUED LIABILITIES

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Trade Payables	4,236	15,314	—	—
Accrued Expenses	115,272	131,386	114,656	131,386
Accruals On Purchases Of Investments	546,250	88,303	546,250	88,303
Rent Received In Advance	5,843	1,473	1,991	1,473
Bank Balances *	—	227	—	227
Invocation Of Section 50(3)	9,256	6,098	9,256	6,098
Liabilities Classified As Held For Sale	2,909	—	—	—
Miscellaneous	58,303	49,838	2,014	46
	742,069	292,639	674,167	227,533

* Credit balance refer to cash book balances. The balances as per bank statements is positive. All Creditors And Accrued Liabilities are maturing within 12 months.

26. CONTRIBUTIONS ACCOUNT

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Balance As At 01 January	289,055,707	262,725,448
<u>Add:</u>		
Contributions Received And Adjusted During The Year		
Contributions Received From Employers	28,926,066	26,191,192
Redemption Of Investment In Unit Trusts By Members	2,861,458	1,563,484
Refunds / Cancellation Of Annuity Policies By Members	164,744	189,977
Reinstatements / Adjustments Of Members Contributions Account	17,497	8,619
	31,969,765	27,953,272
<u>Add:</u>		
Dividend Distributed To Members		
Dividend Credited – 5.80% (2006 – 5.15%)	16,786,843	13,424,425
Adjustment On Dividend Credited For Previous Years	829	4,030
	16,787,672	13,428,455

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

26. CONTRIBUTIONS ACCOUNT (CONT'D.)

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
<u>Less:</u>		
Withdrawals And Refunds Of Contributions		
55 Years Withdrawal Scheme	6,576,541	5,381,029
Re-election Withdrawal Scheme	—	2,802
50 Years Withdrawal Scheme	2,711,285	1,717,573
Incapacitation Withdrawal Scheme	207,130	189,250
Leaving Country Withdrawal Scheme	134,081	124,539
Housing Withdrawal Scheme	1,905,476	1,444,206
Reduction / Redemption Of Housing Loan Withdrawal Scheme / Monthly Instalment Scheme	4,032,308	1,851,301
Medical Withdrawal Scheme	51,103	45,576
Death Withdrawal Scheme	463,177	443,609
Periodical Payment Withdrawal Scheme	26,024	55,272
Members' Investment Withdrawal Scheme	3,295,637	2,186,441
Pensionable Employee Withdrawal Scheme / Option Retirees Employee Withdrawal Scheme	1,400,437	720,781
Education Withdrawal Scheme	255,811	140,424
Monthly Payment Withdrawal Scheme	170	64
Savings Exceeding RM1 Million Withdrawal Scheme	82,618	—
Refunds To Employers / Members – Rule 33(1), EPF Regulations & Rules, 1991	16,056	17,945
Refunds Of Employers' Share To Pension Trust Fund – Section 56, EPF Act, 1991	151,058	730,656
	21,308,912	15,051,468
Balance As At 31 December	316,504,232	289,055,707

The Contributions eligible to be withdrawn by members under 50 Years and 55 Years Withdrawal Schemes are as follows:

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Contributions Eligible To Be Withdrawn Within 12 Months	35,140,580	34,565,017
Contributions Eligible To Be Withdrawn After 12 Months	281,363,652	254,490,690
	316,504,232	289,055,707

Members' Assets / Contributions With Fund Manager Institutions

The cumulative amount which had been invested by EPF members in the Fund Manager Institutions was not disclosed in the Financial Statements as the risk and reward of the investment is borne by the members.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

27. GROSS INVESTMENT INCOME

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Interest And Profit From Investments:				
Internally Managed	11,463,216	10,652,910	11,463,216	10,652,910
Portfolio Managers / Fund Managers	327,641	270,113	327,641	270,113
	11,790,857	10,923,023	11,790,857	10,923,023
Dividend From Investments:				
Internally Managed	2,683,322	1,988,958	2,711,047	1,996,823
Portfolio Managers / Fund Managers	395,982	270,099	395,982	270,099
	3,079,304	2,259,057	3,107,029	2,266,922
Realised Profit / (Loss) From Trading Of Investment:				
Internally Managed	1,325,112	(307,504)	1,300,208	(307,504)
Portfolio Managers / Fund Managers	956,450	339,899	956,450	339,899
	2,281,562	32,395	2,256,658	32,395
Interest / Profit From Bank Balances	9,489	2,401	1,629	2,401
Interest Income From Loans, Advances And Financing	272,063	239,901	—	—
Rental Income	92,878	80,676	55,006	45,138
Gain From Foreign Currency Transactions	20,087	—	20,087	—
Miscellaneous Income	2,573	577	1,902	577
	17,548,813	13,538,030	17,233,168	13,270,456

28. INVESTMENT EXPENSES

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Actuarial Fees	10	46
CDS Registration Fees	872	894
Technical Services Fees	2,180	531
External Fund Managers' Fees	49,681	37,683
Losses On Foreign Currency Transactions	30,804	36,299
Taxation Paid By Portfolio Managers Outside Malaysia	1,764	—
Miscellaneous Expenses	75	69
	85,386	75,522

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

29. ALLOWANCE FOR DIMINUTION IN VALUE OF INVESTMENTS AND LOAN LOSSES

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Allowance For Diminution In Value Of Investments	507,434	302,929	507,434	302,929
Allowance For Diminution In Value Of Investments Written Back	(939,652)	(805,775)	(939,652)	(805,775)
	(432,218)	(502,846)	(432,218)	(502,846)
Allowance For Loan Losses / Specific Allowance For Bad And Doubtful Debts	33,874	29,889	—	—
Allowance For Loan Losses / Specific Allowance For Bad And Doubtful Debts Written Back	(1,650)	(171,631)	(1,650)	(171,631)
	32,224	(141,742)	(1,650)	(171,631)
	(399,994)	(644,588)	(433,868)	(674,477)

30. IMPAIRMENT LOSS ON INVESTMENTS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Impairment Loss On Subsidiary Companies	—	—	—	127
Reversal Of Impairment Loss On Subsidiary Companies	—	—	(63,102)	(117,113)
	—	—	(63,102)	(116,986)
Impairment Loss On Associated Companies	—	—	7,507	5,551
Reversal Of Impairment Loss On Associated Companies	—	—	—	(274,499)
	—	—	7,507	(268,948)
	—	—	(55,595)	(385,934)

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

31. NON-INVESTMENT INCOME

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Interest / Profit From Staff Loans	6,397	6,472	6,397	6,426
Dividend From Contributions Paid Late	8,558	36,879	8,558	36,879
Gain From Disposal Of Property, Plant And Equipment	8,165	19,918	280	17,115
Gain From Disposal Of Investment Properties	32,014	—	—	—
Realised Gain From Foreign Currency Transactions	24,245	—	—	—
Service Charge	29,864	24,711	29,864	24,711
Miscellaneous Income	74,364	31,434	5,156	5,858
	183,607	119,414	50,255	90,989

32. OPERATING EXPENDITURES

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Salaries, Allowances And Staff Costs	337,254	324,663	309,547	302,222
Audit Fees	506	385	230	220
Fees And Professional Charges	17,434	12,251	10,983	10,009
Printing And Stationery	7,227	5,277	6,448	4,373
Postal And Telephone Charges	16,608	19,072	14,693	16,772
Transport And Travelling	9,393	9,480	7,722	8,065
Rent And Assessment	15,063	13,314	11,318	11,289
Insurance On Property	2,090	1,013	679	638
Maintenance On Property, Plant And Equipment Assets Not Capitalised	45,513	40,366	38,836	36,390
Depreciation Of Property, Plant And Equipment	42,528	45,496	32,948	29,466
Depreciation Of Investment Properties	24,608	17,301	19,186	17,301
Amortisation Of Intangible Assets	13,723	1,720	13,167	1,200
Amortisation Of Prepaid Land Lease	1,315	2,174	1,150	2,009
Written Offs / Losses	401	117	220	117
Allowances On Bad And Doubtful Debts / Written Offs	16,495	8,446	—	—
Technical Services Fees	21,656	19,989	21,656	19,989
Advertisements	3,452	930	681	930
Honorarium For Board Members / Investment Panel	931	295	353	295
Directors' Remuneration	530	200	—	—
Amortisation Of Goodwill On Consolidation	—	3,341	—	—
Interest Payable On Deposits, Loans And Overdrafts	212,050	146,965	—	—
Changes In Property Development Costs And Inventories Of Completed Properties	4,191	10,210	—	—
Reversal Of Contract Costs	(11,048)	(365)	—	—
Miscellaneous Expenses	15,107	4,674	1,295	1,468
Employee Benefits	17,468	17,257	17,468	17,257
Net Reversal of Impairment Loss:				
Property, Plant and Equipment	—	(16,510)	—	(16,510)
Investment Properties	—	(9,304)	—	(9,304)
	815,305	680,029	509,371	455,420

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

33. STATUTORY CHARGES

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Death Benefit – Section 58(1)	39,473	39,164
Incapacitation Benefit – Section 58(2)	3,464	7,367
	42,937	46,531

34. TAXATION AND ZAKAT

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Zakat	(124)	(110)	—	—
Income Tax:				
Current Year	(1,792)	(264)	—	—
Under / (Over) Accrual In Prior Years	1,514	(191)	—	—
Deferred Tax Recognised During The Year	16,480	10,074	—	—
	16,078	9,509	—	—

Income tax is calculated at the rate of 27% (2006 : 28%) based on the estimated taxable income for the current year. Domestic tax rate will reduce to 26% from current tax rate 27% with effect from assessment year 2006. Deferred tax amount for the financial year ended 31 December 2007 have been adjusted accordingly.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

34. TAXATION AND ZAKAT (CONT'D.)

The reconciliation between the tax expense and the profit before tax charged at the statutory rate for the Group and EPF are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Profit Before Tax:	16,919,837	13,090,533	16,866,243	13,434,966
Tax At Malaysian Statutory Rate Of 27% (2006 : 28%)	4,568,357	3,665,349	4,553,886	3,761,790
Non-Taxable Income	(4,797,021)	(3,809,912)	(4,553,886)	(3,761,790)
Non-Deductible Expenses For Tax Purposes	216,225	163,451	—	—
Utilisation Of Unabsorbed Tax Losses And Unutilised Capital Allowance Previously Not Recognised	(15,107)	(18,475)	—	—
Recognition Of Deferred Tax Assets Previously Not Recognised	(10,079)	(10,000)	—	—
Real Property Gains Tax	8	191	—	—
Provision Of Last Years Tax Expense	(7,935)	—	—	—
Over Provision Of Last Years Deferred Tax Liabilities	29,613	—	—	—
Recognition Of Deferred Tax On Fair Value Adjustment Upon Consolidation	(74)	(73)	—	—
Different Taxation Rates Of 20%	(65)	(40)	—	—
	(16,078)	(9,509)	—	—

35. CASH AND CASH EQUIVALENTS

Cash And Cash Equivalents which has been included in the Cash Flow Statements is made up of items and amounts as reported in the Balance Sheet as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Bank And Cash Balances	941,670	941,181	844,065	596,629
Bank Balances (Refer Note 25)	—	(227)	—	(227)
Fixed Deposits With Licensed Bank	1,398,881	30	—	—
Money Market Account – Bank Negara Malaysia	1,138,657	680,789	1,138,657	680,789
	3,479,208	1,621,773	1,982,722	1,277,191

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

36. CAPITAL COMMITMENTS

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
a. Capital Commitments				
Approved And Contracted For	42,634	31,329	42,634	29,818
Approved But Not Contracted For	174,131	184,685	163,560	172,044
	216,765	216,014	206,194	201,862
b. Operational Commitments				
Loan Commitments Not Provided In The Financial Statements:				
End Finance	565,401	718,120	—	—
Bridging And Term Loans	2,481,937	1,161,938	—	—
Islamic	278,721	189,159	—	—
	3,326,059	2,069,217	—	—
Property Development:				
Approved And Contracted For	421,528	532,166	—	—
	421,528	532,166	—	—
c. Contingencies				
Financial Guarantee To Secure Payments By A Borrowed (Fully Secured)	42,080	22,000	—	—
Obligation To Secure Performance By Third Parties (Partly Secured)	285,911	285,911	—	—
	327,991	307,911	—	—
	4,292,343	3,125,308	206,194	201,862

The partly secured contingencies are secured by two (2) pieces of land which had been provided as collateral for loans granted to third parties. The excess of the security value over the net loans amounted to RM50,723,000 (2006 : RM50,868,000).

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

37. CONTINGENT LIABILITIES

37.1 Civil Action

- a. In a civil suit brought against the subsidiary company, a borrower of the subsidiary is claiming damages amounting to RM134.40 million for alleged breach of the Loan Agreement. The Plaintiff has been wounded up and no sanction was obtained by the Plaintiff's solicitors to represent the Plaintiff. The case was struck out on 27 June 2007 due to non-attendance of all parties. The subsidiary's solicitors were informed of the striking out by the Court's interpreter two days later when it was about to process the subsidiary's application for Security for Cost against the Plaintiff. As of now, there is no action by the Plaintiff against the subsidiary which is pending in the High Court.
- b. A former borrower of the subsidiary has instituted a civil suit against the subsidiary for an alleged breach of an agreement to grant loan facilities to the former borrower of the subsidiary for their commercial development project. The subsidiary had terminated the said facilities due to the former borrower's breach of the said agreement and had thereafter sold the loan asset to Pengurusan Danaharta Nasional Berhad. Notwithstanding the same, the former borrower now alleges that the subsidiary had failed to fully disburse the said facilities pursuant to the terms of the Facility Agreement. As such, the former borrower has sought for damages amounting to RM18.01 million as at 31 July 2002, interest on a monthly rest basis at the rate of 2% per annum above Malayan Banking Berhad's Base Lending Rate on the sum RM18.01 million from 01 August 2002 until the date of full settlement with regard to the liabilities incurred by the former borrower in relation to the said commercial development project or in the alternative to the above mentioned reliefs, damages amounting to RM18.24 million being the total development expenditure incurred by the former borrower, damages amounting to RM43.31 million for loss of profit or alternatively damages to be assessed by the Court as well as costs. The subsidiary has filed its appearance in Court on 26 July 2005 and had on 05 September 2005 served and filed their Defence against the former borrower. The Court has fixed for Mention on 15 July 2008.
- c. A former borrower of the subsidiary has instituted a civil suit against the subsidiary for any alleged breach of loan agreement. The former borrower alleges that as a result of the subsidiary terminating the unutilised balance of the bridging loan facility, the Plaintiff has suffered losses in the project in which they were developing.

As such, the former borrower has sought for damages amounting to RM16.14 million, general damages and punitive for the amount to be determined by the Court, interest on the total damages at the rate of 8% per annum on the sum of RM16.14 million until the date of full settlement, costs and such other relief that the Court deems fit and reasonable. The subsidiary's solicitors have entered appearance in Court on 31 July 2007 and Statement of Defence was filed on 17 August 2007. They also issued a letter to the Plaintiff's solicitors on 27 August 2007 for further and better particulars which the subsidiary's solicitors have yet to receive their formal response on the same.

No provision has been made in the Financial Statements in respect of claims as per item a, b and c as above since the Directors of the subsidiary company, after obtaining legal advice from the solicitors, are of the opinion that the subsidiary company has reasonably good cases in respect of all the claims against the company.

37.2 Contingent Claims

- a. **Invocation Of Section 50(3), EPF Act, 1991**

This section of the Act requires the EPF to pay the employee's share of the contributions for any deduction made from the wages of the employee if the employer fails to pay the contributions. The amount of contingent liability is estimated at RM45.71 million (2006: RM56.72 million) is not inclusive of the accrued dividend from the time of deduction. This section is only invoked after all efforts to ensure the employers to pay the contributions have failed.
- b. **Statutory Charges Under Section 58(1) And (2), EPF Act, 1991**

Statutory Charges comprising Death Benefits under Section 58(1) and Incapacitation Benefits under Section 58(2), EPF Act, 1991 are paid to members utilising EPF's revenue and not the members' credits. In the event a member or his / her beneficiary did not encash the payment made in a particular financial year, should such payment be claimed in the subsequent year, the repayment made to such member or his / her beneficiary would utilise the revenue in the year the said claim was made. As at 31 December 2007, contingent liabilities in respect of Death Benefits amounted to RM10.33 million (2006 : RM10.30 million) whereas Incapacitation Benefits amounted to RM5.29 million (2006 : RM5.29 million).

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

38. RELATED PARTY TRANSACTIONS

a. Related Parties And Relationship

The related parties of, and their relationship with the EPF are as follows:

Related Parties	Relationships
Malaysia Building Society Berhad	Subsidiary Companies
YTR Harta Sdn Bhd	Subsidiary Companies
Affordable Homes Sdn Bhd	Subsidiary Companies
PPNK – Harta Sdn Bhd	Subsidiary Companies
Hartanah Progresif Sdn Bhd	Subsidiary Companies
Rashid Hussain Berhad	Subsidiary Companies
Projek Bandar Samariang Sdn Bhd	Associated Companies
Panca Pesona Sdn Bhd	Associated Companies
Malaysian Resources Corporation Bhd	Associated Companies
Bandar Eco – Setia Sdn Bhd	Associated Companies
South Johor Investment Corporation Bhd	Associated Companies
HSBC Amanah Takaful (M) Sdn Bhd	Associated Companies
RHB Capital Berhad	Associated Companies
Subsidiary and Associated Companies	Subsidiaries of Subsidiary and Associated Companies as above are part of EPF's subsidiary and associated companies, as disclosed in Note 46 and 47
Key Management Personnel	Key Management Personnel consists of the EPF's Board of Directors and its Key Management Personnel
Related Parties of Key Management Personnel (deemed as related to the EPF)	<ul style="list-style-type: none"> i. Close family members and dependents of Key Management Personnel ii. Entities of which significant voting power in such entity resides with the Key Management Personnel or its close family members

b. Significant Related Party Balances And Transactions

	GROUP	
	Key Management Personnel	
	2007 (RM'000)	2006 (RM'000)
Amount Due To		
EPF's Contributions *	25,731	21,577

* The EPF's Contribution balances are for Key Management Personnel, which has a significant balance.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

38. RELATED PARTY TRANSACTIONS (CONT'D.)

	EPF					
	Subsidiaries		Associates		Key Management Personnel	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
As At 31 December						
Income						
Interest From Deposits With Financial Institutions	100	100	—	—	—	—
Rental Income	937	931	—	—	—	—
Management Fees	12	21	—	—	—	—
Other Non-Operational Income	8,580	13,661	—	—	—	—
	9,629	14,713	—	—	—	—
Amount Due From						
Loans, Advances And Financing	678,304	731,786	39,950	41,950	—	—
	678,304	731,786	39,950	41,950	—	—
Amount Due To						
Other Liabilities	46	—	—	—	—	—
EPF's Contributions *	—	—	—	—	25,731	21,577
	46	—	—	—	25,731	21,577

* The EPF's Contribution balances are for Key Management Personnel, which has a significant balance.

Key Management Personnel

The remuneration of the Board of Directors, Investment Panels and other members of Key Management Personnel are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Short Term Employee Benefits:				
Fees	782	561	362	357
Salaries And Other Remunerations	3,254	2,525	1,728	1,284
Benefits-In-Kind	252	252	252	252
	4,288	3,338	2,342	1,893

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

39. INTEREST RATE RISK

The Group and EPF are exposed to various risks associated with the fluctuations in the prevailing levels of market interest rate on its financial positions and cash flows. The following tables indicates the effective interest rate at the Balance Sheet dates and the periods in which the financial instruments reprice or mature, whichever is earlier.

GROUP 2007	Non-Trading Book					Non-Interest Sensitive (RM'000)	Trading Book (RM'000)	Total (RM'000)	Effective Interest 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)				
ASSETS									
Investments In Associated Companies	—	—	—	—	39,950	4,501,811	—	4,541,761	8.00
Investments	962,228	2,291,707	14,120,837	63,408,763	85,157,722	55,117,591	499,955	221,558,803	3.09 - 8.60
Loans, Advances And Financing	305,168	1,826,400	2,307,114	34,708,477	23,135,821	1,365,752	—	63,648,732	3.50 - 8.50
Deposits With Financial Institutions	11,211,552	1,375,575	3,162,179	3,610,814	—	1,297,319	—	20,657,439	3.30 - 8.00
Other Non-Interest Sensitive Assets	—	—	—	—	—	14,018,079	—	14,018,079	—
Total Assets	12,478,948	5,493,682	19,590,130	101,728,054	108,333,493	76,300,552	499,955	324,424,814	
LIABILITIES									
Loans And Overdrafts	591,101	14,423	—	—	—	1,095	—	606,619	3.75 - 4.38
Deposits And Advances	33,226	2,865,731	1,765,258	723,563	—	153,140	—	5,540,918	3.78
Other Non-Interest Sensitive Liabilities	—	—	—	—	—	962,001	—	962,001	—
Total Liabilities	624,327	2,880,154	1,765,258	723,563	—	1,116,236	—	7,109,538	
Contributions Account	—	—	—	—	—	316,504,232	—	316,504,232	—
Reserves	—	—	—	—	—	239,426	—	239,426	—
Minority Interest	—	—	—	—	—	571,618	—	571,618	—
Total Liabilities And Equities	624,327	2,880,154	1,765,258	723,563	—	318,431,512	—	324,424,814	
On Balance Sheet Interest Sensitivity Gap	11,854,621	2,613,528	17,824,872	101,004,491	108,333,493	(242,130,960)	499,955	—	—
Total Interest Sensitivity Gap	11,854,621	2,613,528	17,824,872	101,004,491	108,333,493	(242,130,960)	499,955	—	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

39. INTEREST RATE RISK (CONT'D.)

GROUP	Non-Trading Book					Non-Interest Sensitive	Trading Book	Total	Effective Interest Rate %
	Up To 1 Month	>1 - 3 Months	>3 - 12 Months	>1 - 5 Years	Over 5 Years				
2006	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
ASSETS									
Investments In Associated Companies	—	—	—	—	41,246	436,199	—	477,445	8.00
Investments	974,590	3,297,415	9,684,572	60,393,191	74,905,626	54,313,394	137,085	203,705,873	3.09 - 8.60
Loans, Advances And Financing	1,232,029	48,983	11,714,453	22,909,089	16,575,208	1,146,354	—	53,626,116	3.60 - 8.50
Deposits With Financial Institutions	19,663,877	4,764,906	2,242,803	3,755,330	—	—	—	30,426,916	3.30 - 8.00
Other Non-Interest Sensitive Assets	—	—	—	—	—	7,023,852	—	7,023,852	—
Total Assets	21,870,496	8,111,304	23,641,828	87,057,610	91,522,080	62,919,799	137,085	295,260,202	
LIABILITIES									
Loans And Overdrafts	277,644	174	783	13,962	—	2,062	—	294,625	3.75 - 4.38
Deposits And Advances	1,827,541	1,178,743	1,499,436	444,200	—	74,028	—	5,023,948	3.78
Other Non-Interest Sensitive Liabilities	—	—	—	—	—	488,913	—	488,913	—
Total Liabilities	2,105,185	1,178,917	1,500,219	458,162	—	565,003	—	5,807,486	
Contributions Account	—	—	—	—	—	289,055,707	—	289,055,707	—
Reserves	—	—	—	—	—	(98,858)	—	(98,858)	—
Minority Interest	—	—	—	—	—	495,867	—	495,867	—
Total Liabilities And Equities	2,105,185	1,178,917	1,500,219	458,162	—	290,017,719	—	295,260,202	
On Balance Sheet Interest Sensitivity Gap	19,765,311	6,932,387	22,141,609	86,599,448	91,522,080	(227,097,920)	137,085	—	—
Total Interest Sensitivity Gap	19,765,311	6,932,387	22,141,609	86,599,448	91,522,080	(227,097,920)	137,085	—	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

39. INTEREST RATE RISK (CONT'D.)

EPF 2007	Non-Trading Book					Non-Interest Sensitive (RM'000)	Trading Book (RM'000)	Total (RM'000)	Effective Interest 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)				
ASSETS									
Investments In Subsidiary Companies	—	—	—	—	678,090	793,406	—	1,471,496	8.25
Investments In Associated Companies	—	—	—	—	39,950	4,504,177	—	4,544,127	8.00
Investments	962,228	2,291,707	14,120,837	63,408,763	85,157,722	56,095,745	499,955	222,536,957	3.06 - 8.50
Loans, Advances And Financing	141,588	1,823,063	2,299,168	34,505,312	18,838,163	—	—	57,607,294	3.60 - 8.25
Deposits With Financial Institutions	11,186,550	1,300,000	3,161,164	3,610,814	—	—	—	19,258,528	3.50 - 8.00
Other Non-Interest Sensitive Assets	—	—	—	—	—	12,879,511	—	12,879,511	—
Total Assets	12,290,366	5,414,770	19,581,169	101,524,889	104,713,925	74,272,839	499,955	318,297,913	
LIABILITIES									
Other Non-Interest Sensitive Liabilities	—	—	—	—	—	1,008,214	—	1,008,214	—
Total Liabilities	—	—	—	—	—	1,008,214	—	1,008,214	
Contributions Account	—	—	—	—	—	316,504,232	—	316,504,232	—
Reserves	—	—	—	—	—	785,467	—	785,467	—
Total Liabilities And Equities	—	—	—	—	—	318,297,913	—	318,297,913	
On Balance Sheet Interest Sensitivity Gap	12,290,366	5,414,770	19,581,169	101,524,889	104,713,925	(244,025,074)	499,955	—	—
Total Interest Sensitivity Gap	12,290,366	5,414,770	19,581,169	101,524,889	104,713,925	(244,025,074)	499,955	—	

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

39. INTEREST RATE RISK (CONT'D.)

EPF 2006	Non-Trading Book					Non-Interest Sensitive (RM'000)	Trading Book (RM'000)	Total (RM'000)	Effective Interest 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)				
ASSETS									
Investments In Subsidiary Companies	—	—	—	—	731,786	550,052	—	1,281,838	8.25
Investments In Associated Companies	—	—	—	—	41,950	642,654	—	684,604	8.00
Investments	974,590	3,297,415	9,684,572	60,393,191	74,862,556	54,312,836	137,085	203,662,245	3.09 - 8.60
Loans, Advances And Financing	1,220,588	35,448	11,650,146	22,454,624	13,178,921	—	—	48,539,727	3.60 - 8.50
Deposits With Financial Institutions	19,663,847	4,764,906	2,242,803	3,755,329	—	—	—	30,426,885	3.30 - 8.00
Other Non-Interest Sensitive Assets	—	—	—	—	—	5,618,754	—	5,618,754	—
Total Assets	21,859,025	8,097,769	23,577,521	86,603,144	88,815,213	61,124,296	137,085	290,214,053	
LIABILITIES									
Other Non-Interest Sensitive Liabilities	—	—	—	—	—	449,730	—	449,730	—
Total Liabilities	—	—	—	—	—	449,730	—	449,730	
Contributions Account Reserves	—	—	—	—	—	289,055,707	—	289,055,707	—
	—	—	—	—	—	708,616	—	708,616	—
Total Liabilities And Equities	—	—	—	—	—	290,214,053	—	290,214,053	
On Balance Sheet Interest Sensitivity Gap	21,859,025	8,097,769	23,577,521	86,603,144	88,815,213	(229,089,757)	137,085	—	—
Total Interest Sensitivity Gap	21,859,025	8,097,769	23,577,521	86,603,144	88,815,213	(229,089,757)	137,085	—	

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise of financial assets and financial liabilities. 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, other than in a forced or liquidation sale. The information presented herein represents estimates of fair values as at the Balance Sheet date.

Fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of FRS 132 which requires fair value information to be disclosed. These include investments in subsidiaries and associates, investment properties, prepaid land lease, property, plant and equipment and intangible assets.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

40. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

The total fair value of each financial instrument approximates the total carrying value as at the Balance Sheet date, except for the followings:

	2007		2006	
	Carrying value (RM'000)	Fair value (RM'000)	Carrying value (RM'000)	Fair value (RM'000)
GROUP				
Investments	221,558,803	249,076,171	203,705,873	218,774,858
EPF				
Investments	222,536,957	250,055,379	203,662,245	218,731,230

The fair values are based on the following methodologies and assumptions:

a. **Cash And Bank Balances And Deposits With Financial Institutions**

The carrying value approximates the fair value due to the relatively short maturity of the financial instruments.

b. **Investments**

The fair value of the actively traded securities are based on the bid price. For securities which there is no active market, the fair value approximates the carrying value.

c. **Loans, Advances And Financing**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired floating and fixed rates loans are represented by their carrying value, net of specific allowance being the expected recoverable amount.

41. SIGNIFICANT ACQUISITIONS

Referring to the letter from Bank Negara Malaysia dated 29 March 2007, Bank Negara Malaysia and Ministry of Finance have approved EPF's acquisition of Utama Banking Group's (UBG) interest, in the RHB Group, subject to, EPF not holding more than 35.00% equity interest in RHB Capital Berhad. EPF is required to sell the remaining shares within one (1) year from the acquisition date.

The Mandatory General Offer regarding the acquisition of all RHB Group and RHB Capital Berhad's shares (RHBG MGO) was completed on 27 October 2007.

The acquisition has resulted in EPF holding 98.41% and 82.23% equity interest in Rashid Hussain Berhad and RHB Capital Berhad respectively.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

41. SIGNIFICANT ACQUISITIONS (CONT'D.)

The details of net assets acquired are as follows:

	Rashid Hussain Berhad As At Acquisition Date (RM'000)	RHB Capital Berhad As At Acquisition Date (RM'000)
ASSET		
Cash And Short Term Fund	1,433,365	15,952,005
Securities Purchased Under Resale Agreements	—	1,161,999
Deposit With Financial Institution	2,894	5,808,884
Securities Held For Trading	—	5,558,921
Securities Available For Sale	490	7,727,208
Securities Held To Maturity	—	7,354,090
Loans, Advances And Financing	—	55,177,689
Clients' And Brokers' Balances	—	284,763
Other Assets	5,143	617,884
Statutory Deposits	—	1,621,613
Tax Claim Receivable	63,516	63,154
Deferred Tax Assets	22	268,544
Investments In Associates	—	15,434
Prepaid Land Lease	—	99,730
Investment Properties	392,000	—
Property, Plant And Equipment	215	769,292
	1,897,645	102,481,210
LIABILITY		
Deposits From Customers	—	76,784,909
Deposit With Financial Institution	—	7,829,975
Obligations On Securities Sold Under Repurchase Agreements	—	45,213
Bills And Acceptances Payables	—	4,652,906
Clients' And Brokers' Balances	—	367,998
Other Liabilities	48,455	1,955,666
Recourse Obligation And Loans Sold To Cagamas	—	2,462,367
Taxation	1,525	147,350
Deferred Tax Liabilities	2	8,268
Borrowings	—	1,999,177
Subordinated Obligations	—	1,489,414
Irredeemable Non-Convertible Preference Shares (INCPS)	—	1,104,469
Irredeemable Convertible Unsecured Loan Stocks (ICULS)	1,023,955	—
	1,073,937	98,847,712
Net Assets	823,708	3,633,498
Minority Interest	(13,097)	(645,673)
	810,611	2,987,825

Accordingly, RHB Capital Berhad is considered as an Associate Company and not a Subsidiary Company. The remaining equity holding of 47.23% have been classified as Asset Held For Sale.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

42. OPERATING LEASES

42.1 Group And EPF As Lessee

The Group and EPF leases a number of premises under operating lease. The leases typically run for an initial period of three (3) years, with an option to renew the leases. None of the lease includes contingent rentals. The future minimum lease payments under these non-cancellable operating lease are as follows:

	GROUP AND EPF	
	2007 (RM'000)	2006 (RM'000)
Within 1 Year	5,323	7,056
Between 1 To 5 Years	4,980	10,216
	10,303	17,272

42.2 Group And EPF As Lessor

The Group and EPF leases out its investment properties under operating leases with the terms of the leases ranging between three (3) to five (5) years. None of these leases include contingent rentals. The future minimum lease payments under these non-cancellable operating lease are as follows:

	GROUP		EPF	
	2007 (RM'000)	2006 (RM'000)	2007 (RM'000)	2006 (RM'000)
Within 1 Year	103,385	105,033	74,709	76,357
Between 1 To 5 Years	400,147	438,279	288,920	316,334
More Than 5 Years	540,732	598,492	415,024	454,825
	1,044,264	1,141,804	778,653	847,516

43. CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretations on existing standards that are effective for the EPF's accounting periods beginning on or after 01 January 2007 is set out in Note 4.1.a. The following describes the impact of new standards, amendments and interpretations on the Financial Statements of the Group and EPF.

a. Irrelevant Or Immaterial Effect On Financial Statements

The adoption of FRS 124 in respect of the presentation and disclosure of related parties transactions.

b. Reclassification Of Prior Year Comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group's and EPF's net assets:

- i. The adoption of FRS 117 has resulted in a change in accounting policy relating to classification of Leasehold Land to Prepaid Land Lease.
- ii. The adoption of FRS 140 in the financial year ended 31 December 2006 has resulted in the reclassification of certain Property, Plant and Equipment to Investment Properties.

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

44. COMPARATIVE FIGURES

The following comparative figures have been restated to reflect the changes on the presentation of related items as well as reclassifications of those items, to confirm with the current year's Financial Statements:

44.1 GROUP

	Property Development Cost (RM'000)	Property, Plant And Equipment (RM'000)	Prepaid Land Lease (RM'000)	Investment Properties (RM'000)
<u>As At 31 December 2006</u>				
COST				
As Previously Reported	166,503	1,642,392	—	1,044,547
Adoption Of FRS 117, Reclassification Of Prepaid Land Lease	—	(176,565)	176,565	—
Adoption Of FRS 140, Reclassification Of:				
Freehold Land	—	(148,190)	—	148,190
Leasehold Land	—	(4,500)	—	4,500
Buildings	(23,290)	(240,318)	—	263,608
As Restated	143,213	1,072,819	176,565	1,460,845
ACCUMULATED DEPRECIATION				
As Previously Reported	—	553,718	—	135,987
Adoption Of FRS 117, Reclassification Of Prepaid Land Lease	—	(23,083)	23,083	—
Adoption Of FRS 140, Reclassification Of:				
Freehold Land	—	(727)	—	727
Buildings	(466)	(10,825)	—	11,291
As Restated	(466)	519,083	23,083	148,005
NET BOOK VALUE				
As Previously Reported	166,503	1,088,674	—	908,560
Reclassification / Adjustments	(22,824)	(534,938)	153,482	404,280
As Restated	143,679	553,736	153,482	1,312,840

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

44. COMPARATIVE FIGURES (CONT'D.)

44.2 EPF

<u>As At 31 December 2006</u>	Property, Plant and Equipment (RM'000)	Prepaid Land Lease (RM'000)
COST		
As Previously Reported	873,559	—
Adoption Of FRS 117, Reclassification Of Prepaid Land Lease	(164,847)	164,847
As Restated	708,712	164,847
ACCUMULATED DEPRECIATION		
As Previously Reported	415,665	—
Adoption Of FRS 117, Reclassification Of Prepaid Land Lease	(21,811)	21,811
As Restated	393,854	21,811
NET BOOK VALUE		
As Previously Reported	457,894	—
Reclassification / Adjustments	(143,036)	143,036
As Restated	314,858	143,036

The standard requires the reclassification of Leasehold Land to Prepaid Land Lease, whereby FRS 117 requires land held under lease, which ownership is not expected to be transferred to EPF at the end of the lease period is deemed as operating lease and the upfront payments represents Prepaid Land Lease and is amortised on a straight-line basis over the remaining lease term.

Prior to the adoption of FRS 117, EPF have recognised Leasehold Land as part of Property, Plant and Equipment and was stated at cost less accumulated depreciation and impairment loss.

In accordance with the transitional provisions of FRS 117, it has been applied retrospectively and the unamortised carrying amount of the Leasehold Land is classified as Prepaid Land Lease and amortised over the remaining lease period. The comparative figures have been restated.

45. SIGNIFICANT EVENTS DURING THE YEAR

On 18 December 2007, EPF have entered into an exclusive to sell its 25% equity interest in RHB Capital Berhad to Abu Dhabi Commercial Bank (ADCB).

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

46. LIST OF SUBSIDIARY COMPANIES AS AT 31 DECEMBER 2007

a. Details of the Subsidiary Companies are as follows:

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Direct Holding – EPF				
Malaysia Building Society Berhad	Malaysia	53.0	63.0	Operating of loans on the security of freehold and leasehold properties
Rashid Hussain Berhad	Malaysia	98.4	29.9	Investment holding
YTR Harta Sdn Bhd	Malaysia	85	85	Property development
Affordable Homes Sdn Bhd	Malaysia	100	100	Property development
PPNK – Harta Sdn Bhd	Malaysia	85	85	Property development and management
Hartanah Progresif Sdn Bhd	Malaysia	100	100	Property investment
Subsidiaries Held Through				
Malaysia Building Society Berhad				
MBSB Properties Sdn Bhd	Malaysia	100	100	Letting of real property
MBSB Development Sdn Bhd	Malaysia	100	100	Property development
Prudent Legacy Sdn Bhd	Malaysia	100	92	Property development
Sigmaprise Sdn Bhd	Malaysia	100	100	Hotel operation
Gadini Sdn Bhd	Malaysia	100	100	Property development
Ganesha Sdn Bhd	Malaysia	100	100	Property development
Springtide Sdn Bhd	Malaysia	100	100	Property development
Trimonds Sdn Bhd	Malaysia	100	100	Investment holding
MBSB Project Management Sdn Bhd	Malaysia	100	100	Ceased operations
Supreme Design Sdn Bhd	Malaysia	100	100	Ceased operations
Definite Pure Sdn Bhd	Malaysia	100	100	Dormant
Malaya Borneo Building Society Limited (MBBS)	Singapore	100	100	Dormant
MBSB Land Sdn Bhd	Malaysia	100	100	Dormant
Longterm Pride Sdn Bhd	Malaysia	100	100	Dormant
Farawide Sdn Bhd	Malaysia	100	100	Dormant
Maxroute Sdn Bhd	Malaysia	100	100	Dormant
Raynergy Sdn Bhd	Malaysia	100	100	Dormant
Idaman Usahamas Sdn Bhd	Malaysia	100	100	Dormant
Subsidiaries Held Through				
Rashid Hussain Berhad				
RHB Property Management Sdn Bhd	Malaysia	100	100	Property management
Vision City (Malaysia) Sdn Bhd	Malaysia	100	100	Property investment
RHB Kawal Sdn Bhd	Malaysia	100	100	Security services
RHB Management Company Sdn Bhd	Malaysia	100	100	Management and consultancy services
Bandar Wawasan Management Sdn Bhd	Malaysia	100	100	Dormant
RHB Health Care Sdn Bhd	Malaysia	100	100	Dormant
RHB Modal-Ekuiti Sdn Bhd	Malaysia	100	100	Dormant
RHB Noble 1 (L) Ltd	Malaysia	100	100	Dormant
RHB Capital Berhad Group	Malaysia	—	64.8	Investment holding

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007

a. Details of the Associated Companies are as follows:

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Direct Holding – EPF				
Projek Bandar Samariang Sdn Bhd	Malaysia	40	40	Property development and related construction works
Panca Pesona Sdn Bhd	Malaysia	30	30	Housing developer
Malaysian Resources Corporation Bhd	Malaysia	28.6	28.5	Investment holding company, construction, property development and management and provision of management services
Bandar Eco – Setia Sdn Bhd	Malaysia	34	34	Property development
South Johor Investment Corporation Berhad	Malaysia	25	—	Development of Wilayah Pembangunan Iskandar
HSBC Amanah Takaful (M) Sdn Bhd	Malaysia	20	—	Insurance
RHB Capital Berhad	Malaysia	35	—	Investment holding
Subsidiaries Held Through RHB Capital Berhad				
RHB Bank Berhad	Malaysia	100	70	Commercial banking
RHB Investment Bank Berhad	Malaysia	100	100	Investment banking
RHB Private Equity Fund Ltd	Cayman Islands	100	—	Investment company
RHB Insurance Berhad	Malaysia	79.5	79.5	General insurance
Straits Asset Holdings Sdn Bhd	Malaysia	100	100	Investment holding
RHB Hartanah Sdn Bhd	Malaysia	100	100	Property investment
RHB Equities Sdn Bhd	Malaysia	100	100	Equity related services
RHB Asia Pte Ltd	Singapore	—	100	Investment holding
RHB Capital (Jersey) Limited	Jersey, Channel Islands	100	100	Investment holding
RHB Bena Sdn Bhd	Malaysia	100	100	Dormant
RHBF Sdn Bhd	Malaysia	100	100	Dormant
KYF Sdn Bhd	Malaysia	100	100	Dormant
Kwong Yik Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Dormant
Kwong Yik Nominees (Asing) Sdn Bhd	Malaysia	100	100	Dormant
KYB Trust Management Sdn Bhd	Malaysia	100	100	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	100	100	Dormant
SSSB Services (Melaka) Sdn Bhd	Malaysia	100	100	Dormant
RHB Dynamic Technologies Sdn Bhd	Malaysia	100	100	Dormant
KYB Sdn Bhd	Malaysia	100	100	Dormant
Rashid Hussain Securities (Philippines) Incorporated	Philippines	100	100	Dormant
PT Rashid Hussain Securities	Indonesia	85	85	Dormant

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Subsidiaries Held Through				
RHB Bank Berhad				
RHB Islamic Bank Berhad	Malaysia	100	70	Islamic banking
RHB Bank (L) Ltd	Malaysia	100	70	Offshore banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	100	70	Nominee services for Malaysian beneficial shareholders
RHB Investment Ltd	Singapore	100	70	Property investment and rental
Banfora Pte Ltd	Singapore	100	70	Property investment and rental
RHB Bank Nominees Pte Ltd	Singapore	100	70	Nominee services
RHB Leasing Sdn Bhd	Malaysia	100	70	Leasing
RHB Trade Services Limited	Hong Kong	100	70	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	100	70	Property investment
Utama Assets Sdn Bhd	Malaysia	100	70	Property investment
UMBC Sdn Bhd	Malaysia	100	70	Dormant
RHB Delta Sdn Bhd	Malaysia	100	70	Dormant
USB Nominees Sdn Bhd	Malaysia	100	70	Dormant
USB Nominees (Tempatan) Sdn Bhd	Malaysia	100	70	Dormant
USB Nominees (Asing) Sdn Bhd	Malaysia	100	70	Dormant
RHB Delta Nominees (Asing) Sdn Bhd	Malaysia	100	70	Dormant
INFB Jaya Sdn Bhd	Malaysia	100	70	Dormant
Utama Gilang Sdn Bhd	Malaysia	100	70	Dormant
U.B. Nominees (Tempatan) Sdn Bhd	Malaysia	100	70	Dormant
Subsidiaries Held Through				
RHB Bank (L) Ltd				
RHB International Trust (L) Ltd	Malaysia	100	100	Offshore trust company
Subsidiaries Held Through				
RHB International Trust (L) Ltd				
RHB Corporate Services Sdn Bhd	Malaysia	100	100	Corporate secretarial services
Subsidiaries Held Through				
RHB Capital Nominees (Tempatan) Sdn Bhd				
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	100	70	Nominee services for foreign beneficial shareholders

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Subsidiaries Held Through				
RHB Investment Bank Berhad				
RHB Unit Trust Management Berhad	Malaysia	100	100	Management of unit trust funds. Dormant after 01 January 2008
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	100	100	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	100	100	Nominee and custodian services
RHB Nominees (Asing) Malaysia Sdn Bhd	Malaysia	100	100	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for Malaysian beneficial shareholders
RHB Management Sdn Bhd	Malaysia	100	100	Asset management services and management of unit trust funds with effect from 01 January 2008
RHB Research Institute Sdn Bhd	Malaysia	100	100	Research services
RHB Management Services (Jersey) Limited	Jersey, Channel Islands	100	—	Management services
RHB Private Equity Holding Sdn Bhd	Malaysia	100	100	Private equity business and venture capital management
RHB Private Equity Management Ltd	Malaysia	100	100	Investment advisor, investment consultant and other ancillary services only for Private Equity Funds
RHB Venture Capital Sdn Bhd	Malaysia	100	100	Dormant
Straits Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Dormant
Straits Nominees (Asing) Sdn Bhd	Malaysia	100	100	Dormant
RHB Excel Sdn Bhd	Malaysia	100	100	Dormant
RHB Progressive Sdn Bhd	Malaysia	100	100	Dormant
RHB Marketing Services Sdn Bhd	Malaysia	100	100	Dormant
Associates Held Through				
RHB Capital Berhad				
Positif Properties Sdn Bhd	Malaysia	50	50	Dormant
CMS Trust Management Berhad	Malaysia	49	34.3	Dormant
Subsidiaries Held Through				
Malaysian Resources Corporation Berhad				
Excellence Bonanza Sdn Bhd	Malaysia	60	—	Property development
Kuala Lumpur Sentral Sdn Bhd	Malaysia	64.4	64.4	Property development

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Held Through 100% Ownership By Kuala Lumpur Sentral Sdn Bhd				
Unity Portfolio Sdn Bhd	Malaysia	64.4	64.4	Property management
Landas Utama Sdn Bhd	Malaysia	100	100	Investment holding
MRCB Utama Sdn Bhd	Malaysia	100	100	Property development
Held Through 100% Ownership By MRCB Utama Sdn Bhd				
Country Annexe Sdn Bhd	Malaysia	100	100	Pre-operating
MRCB Selborn Corporation Sdn Bhd	Malaysia	60	60	Property development and property holding
MRCB Engineering Sdn Bhd	Malaysia	100	100	Engineering services and construction
Held Through 100% Ownership By MRCB Engineering Sdn Bhd				
Al Fattan MRCB Construction Company (LCC)	United Arab Emirates	100	100	Construction works
MRCB (Thailand) Ltd	Thailand	100	—	Provision of engineering and construction services
MRCB Environmental Services Sdn Bhd	Malaysia	100	100	Investment holding
Subsidiaries Held Through MRCB Environmental Services Sdn Bhd				
MRCB Environment Sdn Bhd	Malaysia	55	55	Infrastructure design and build construction works
MRCB Prasarana Sdn Bhd	Malaysia	100	100	Infrastructure design and build construction works
Held Through 100% Ownership By MRCB Prasarana Sdn Bhd				
MRCB Lingkaran Selatan Sdn Bhd	Malaysia	100	100	Construction, development, design, project management, operations and maintenance and financing of expressway and infrastructure related project
Held Through 100% Ownership By MRCB Lingkaran Selatan Sdn Bhd				
MRCB Southern Link Berhad <i>(formerly known as Trans Peninsula Crude Oil Transaction Sdn Bhd)</i>	Malaysia	100	100	Construction, development, design, project management, operations and maintenance and financing of expressway and related project
MRCB Technologies Sdn Bhd	Malaysia	100	100	Information technology services and professional outsourcing
Malaysian Resources Development Sdn Bhd	Malaysia	100	100	Property development and investment holding

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Held Through 100% Ownership By Malaysian Resources Development Sdn Bhd				
Bitar Enterprises Sdn Bhd	Malaysia	100	100	Property investment
Golden East Corporation Sdn Bhd	Malaysia	100	100	Property development and management
MR Properties Sdn Bhd	Malaysia	100	100	Property development
Seri Iskandar Utilities Corporation Sdn Bhd	Malaysia	100	100	Pre-operating
Sunrise Properties Sdn Bhd	Malaysia	100	100	Property development
Taiyee Development Sdn Bhd	Malaysia	100	100	Property development
MRCB Property Development Sdn Bhd	Malaysia	100	100	Investment holding
Held Through 100% Ownership By MRCB Property Development Sdn Bhd				
MRCB Cahaya Mutiara Sdn Bhd *	Malaysia	100	100	Property development and management
Subsidiaries Held Through Malaysian Resources Development Sdn Bhd				
Seri Iskandar Development Corporation Sdn Bhd	Malaysia	70	70	Property development
Kejuruteraan Dan Pembinaan Seri Lumut Sdn Bhd	Malaysia	70	70	Pre-operating
Malaysian Resources Sentral Sdn Bhd	Malaysia	100	100	Provision of facility management
Mafira Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Subsidiaries Held Through Mafira Holdings Sdn Bhd				
Zen Concrete Industries Sdn Bhd	Malaysia	38.6	38.6	Manufacturing and sale of pre-stressed spun concrete poles
Onesentral Park Sdn Bhd	Malaysia	51	51	Property development
Prema Bonanza Sdn Bhd	Malaysia	51	51	Property development
Semasa Sentral Sdn Bhd	Malaysia	100	100	Operation, management and maintenance of Kuala Lumpur railway station
Semasa Services Sdn Bhd	Malaysia	100	100	Building management services
Semasa Parking Sdn Bhd	Malaysia	100	100	Car park management
Sooka Sentral Sdn Bhd	Malaysia	100	100	Operation, management and maintenance of the clubhouse at KL Sentral
SynarGym Sdn Bhd <i>(formerly known as Malaysian Resources International Sdn Bhd)</i>	Malaysia	100	100	Investment holding
Superview Development Sdn Bhd	Malaysia	100	100	Property development, management and shares trading
Transmission Technology Sdn Bhd	Malaysia	55	55	Engineering, construction and commissioning services to power transmission systems
Milmix Sdn Bhd	Malaysia	100	100	Civil and infrastructure building contractor
MR Securities Sdn Bhd *	Malaysia	100	100	Investment holding

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Subsidiaries Held Through				
MR Securities Sdn Bhd				
Semasa Security Sdn Bhd	Malaysia	100	100	Security guard services
MR Construction Sdn Bhd *	Malaysia	51	51	Construction
MR Enterprises Sdn Bhd *	Malaysia	100	100	Construction
MR Management Sdn Bhd *	Malaysia	100	100	Investment holding and management services
MRC Management (BVI) Ltd *	British Virgin Islands	100	100	Investment trading
MR-H Piling And Civil Engineering (M) Sdn Bhd *	Malaysia	51	51	Piling and civil engineering
MRCB Ceramics Sdn Bhd *	Malaysia	100	100	Manufacturing, distribution and sale of ceramic tiles
MRCB Dotcom Sdn Bhd *	Malaysia	100	100	Planning and management services
MRCB Intelligent System And Control Sdn Bhd *	Malaysia	100	100	System maintenance and application services and other technological application
MRCB Smart Sdn Bhd *	Malaysia	100	100	One-stop card technology service provider
MRCB Land Sdn Bhd *	Malaysia	100	100	Project management and development services
MRCB Property Management Sdn Bhd *	Malaysia	100	100	Property investment and management
MRCB Trading Sdn Bhd *	Malaysia	100	100	Trading in building materials
Region Resources Sdn Bhd *	Malaysia	100	80	Quarry operations
Subsidiaries Held Through				
Region Resources Sdn Bhd *				
Syarikat Gemilang Quarry Sdn Bhd	Malaysia	100	80	Quarry operations
Sibexlink Sdn Bhd	Malaysia	100	100	Sale of business information and website development
Cheq Point (M) Sdn Bhd	Malaysia	75	75	Charge card services and investment
Harmonic Fairway Sdn Bhd	Malaysia	100	100	Investment holding
MRCB Energy International Sdn Bhd	Malaysia	100	100	Pre-operating
Malaysian Resources Technology Sdn Bhd	Malaysia	100	100	Pre-operating
MRCB Transmission & Distribution Sdn Bhd	Malaysia	100	100	Pre-operating
Penang Sentral Sdn Bhd	Malaysia	100	—	Pre-operating
Cosy Bonanza Sdn Bhd	Malaysia	100	—	Pre-operating
Jewel Surprises Sdn Bhd	Malaysia	100	—	Pre-operating
MRCB Green Energy Sdn Bhd	Malaysia	100	—	Pre-operating

Notes To The Financial Statements (Cont'd.)

for the year ended 31 December 2007

47. LIST OF ASSOCIATED COMPANIES AS AT 31 DECEMBER 2007 (CONT'D.)

a. Details of the Associated Companies are as follows: (Cont'd.)

Name Of Company	Country Of Incorporation	Effective Equity Interest		Principal Activities
		2007 %	2006 %	
Subsidiaries Held Through				
Malaysian Resources Corporation Berhad				
Suasana Sentral Two Sdn Bhd	Malaysia	30	30	Property development
One IFC Sdn Bhd	Malaysia	40	—	Investment holding
Nuzen Corporation Sdn Bhd	Malaysia	30	30	Investment holding
MRCB Multimedia Consortium Sdn Bhd	Malaysia	29	49	Applications services relating to information technologies
Kota Francais (M) Sdn Bhd	Malaysia	20	20	Franchising property management and consultancy
UDA Holdings Berhad	Malaysia	—	24.9	Property development, property investment and investment holding

* Dormant