

Opening Opportunities





Banking

Insurance





Trusteeship

Business Registration





Islamic Finance

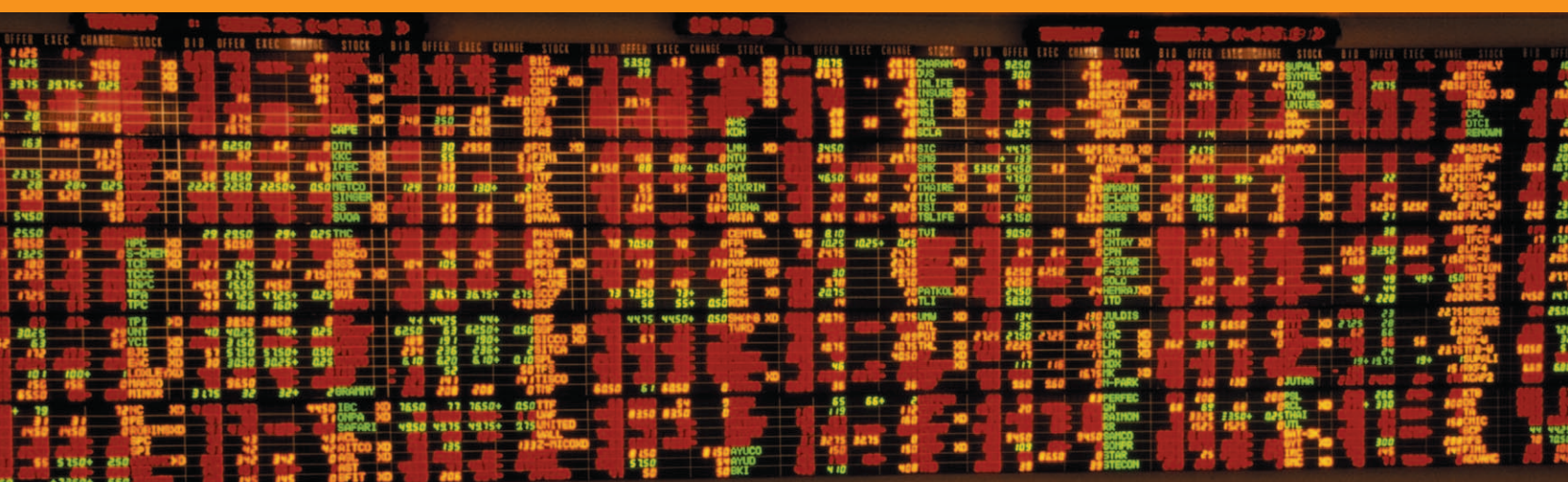
Leasing





Business Process Outsourcing

Listing of Financial Instruments





Mission Statement

LOFSA shall act as a one stop agency to realise the Government's vision to develop Labuan as a premier IBFC by ensuring the highest level of integrity, commitment and professionalism.



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Chairman's Statement

In a more challenging international and regional environment in 2007, Labuan has recorded strong growth in all sectors, demonstrating its resilience and its flexibility to adjust to changing conditions. Labuan which started as an international offshore financial centre has now transformed and diversified into a thriving regional business centre. This ability to reinvent has been a vital strength of Labuan as a business and financial centre.

Located in the centre of the Asia Pacific region, Labuan island is strategically positioned as an intermediary gateway for investments into and out of the region. Asia, in particular, has gone from strength to strength, with the continued growth in GDP across most economies in the region. These economies have also seen significant increases in their international reserves. Asia has thus become an important centre of growth in the global economy with its significance being not only in terms of size, but also, its sustainability.

The Asian economies are increasingly being sustained by the growing significance of domestic demand driven by strong domestic consumption and investment activities. This has led to the growth in intra-regional trade and investment activities among the Asian economies thus resulting in a mutually reinforcing growth process. The Asian region is also establishing new links with the Gulf economies. It is envisaged that in the coming years, the flow of capital between the Middle East and Asia Pacific would increase further as the two growth centres expand and diversify their investment activities.

Labuan is also making its mark as a regional base for the oil and gas industry and as an entreport for the regional triangle of Brunei-Sabah-Philippines. It is endowed with a natural deep harbour and its status as a duty free and free port zone further supports these activities. Labuan's connectivity with the rest of the world has been enhanced with the upgraded modern airport which is also promoting tourism activities in the island and surrounding areas.

Labuan has recently redefined its value proposition as an international business and financial centre. The new brand name of Labuan International Business and Financial Centre (IBFC) marks a shift in focus for Labuan to an international business and financial centre. The flexibility to meet the new emerging and changing demands lies in its ability to discover new directions, and its agility to build new strengths, new comparative advantages and to define a new role in a more competitive market place.

In the context of this changing environment, the performance of the business sectors in Labuan continue to be strong. The number of offshore companies in Labuan increased further in 2007 with the growth in company registration and other offshore businesses contributing to the substantial increase in the operating income of trust companies. The offshore banking industry has also reported an expansion in the loan assets, complemented by an improvement in the asset quality as indicated by the decline in gross non-performing loans. The volume of loans extended to non-Malaysians remained large, while leasing activities continued as one of the main offshore financial activities. This has been boosted by the thriving oil and gas as well as shipping activities surrounding the island of Labuan.

The insurance industry also continued to record steady growth particularly in the reinsurance business which grew by 40.3% to USD919.2 million in 2007, of which 62.0% were non-Malaysian premiums, signalling its growing position as a reinsurance centre. This is also reflected by the growing amount of retakaful premiums that has contributed to the overall reinsurance business in Labuan IBFC. It is expected that 2008 would see gross premiums breach the USD1.0 billion mark, representing another important milestone in the development of the reinsurance business in Labuan.

Islamic-based assets of the Labuan IBFC has continued to grow in 2007, while Islamic deposits increased by four-fold. During the year, there was strong interest from funds and high net-worth investors from the Middle East seeking to invest in the Asian region. This has contributed

to the growth in Islamic financial business. The position of Malaysia as an International Islamic Financial Centre (MIFC) has further enhanced Labuan's effort to promote Shariah compliant trusts and foundations. These products will complement the Islamic financial products and services that are already available on shore. Concomitant to the robust onshore growth of Islamic finance, Labuan complements this development as a key player in the growing global Islamic financial business.

The key to the success of Labuan as a business and financial centre is its competitiveness, efficiency and convenience that it offers, in addition to its connectivity and the confidence in the centre. The Government of Malaysia is highly committed to ensuring that Labuan has all these elements. Significant investments have been made to provide the physical infrastructure and amenities in Labuan. This is further supported by a balanced regulatory regime that effectively regulates the market while facilitating further development. The Labuan Offshore Financial Services Authority (LOFSA), as the regulatory agency for Labuan IBFC is vigilant in ensuring an effective regulatory regime and supervisory oversight as well as in facilitating market development. While Labuan has never been positioned as a low tax financial centre, a robust and business friendly tax framework has been put in place. More importantly, Labuan has leveraged on its strengths and unique advantages to meet market requirements. Labuan is also recognised as a well-regulated jurisdiction by international organisations such as the International Monetary Fund and the Asia/Pacific Group on Anti-Money Laundering.

Going forward, LOFSA has identified several key strategic programmes to advance Labuan as an International Business and Financial Centre. One such initiative is to elevate Labuan IBFC's status to being the "gold standard for holding company jurisdiction". Malaysia's extensive tax treaty network with more than 60 countries and the introduction of a more flexible tax framework supports this initiative. In addition, Labuan offshore companies now have the option of either being taxed under the Malaysian Income Tax Act 1967 or the Labuan Offshore Business Activity Tax Act 1990, thus enabling businesses to structure more efficiently their transactions. The cost competitiveness is further enhanced through the revision of the annual fees of the offshore companies to be implemented this year.

LOFSA is in the process of streamlining all aspects of the existing legal framework covering both conventional and Islamic businesses to create a more facilitative, flexible and frictionless business environment. The revised legislation and regulations involve rationalising and improving the provisions to further enhance the development of business and financial activities in Labuan.

The long-term development of Labuan IBFC aims at building a strong and sound financial centre that is appropriately regulated, vibrant and active. In this regard, the regulatory and supervisory framework has been strengthened further to enhance resilience through the implementation of a more robust Risk Management Framework and Risk Based Supervisory Framework. Also important is to promote flexibility for financial institutions to formulate their own strategies and market niches. Thus, broad prudential guidelines and principles will be adopted so as to promote a well-run offshore jurisdiction.

LOFSA is also enhancing its organisational capabilities by aligning and integrating information and communication technology into its new business model. This is aimed at contributing towards reducing the cost of doing business, in addition to delivering services to investors in the most efficient manner. LOFSA will also continue to enhance its delivery system and provide a more facilitative operating environment for the institutions in the Labuan IBFC. In this regard, LOFSA has implemented a single electronic payment platform using an integrated cash management structure that links to the trust companies in Labuan, thus providing for a truly "hub and spoke" approach. This allows for a more efficient registration process. In relation to this, LOFSA received an award for "Best Idea" for the implementation of this electronic platform.

On the financial performance of LOFSA, I am pleased to announce that for the year ended 31 December 2007, LOFSA recorded a total income of RM22.4 million with total reserves increasing from RM24.7 million in 2006 to RM27.0 million in 2007.

On behalf of the Members of the Authority, I would like to take this opportunity to extend my appreciation to the Members of the International Advisory Panel, the Shariah Advisory Council, the Task Force for Islamic Finance and the Government departments and agencies as well as the industry for their invaluable support and contributions in the development of Labuan. I would also like to thank LOFSA's management and staff for their commitment, dedication and contributions towards the continued success of the Labuan IBFC.

Indeed the responsibility of achieving the ambitions of the Labuan IBFC is a shared responsibility. The future will be for the competitive, the cost efficient and the innovative that are able to offer strong value propositions to customers. The industry, the market professionals and participants will therefore have an important role in achieving this. With the combined and concerted efforts of LOFSA and the industry, as well as the continued support from the Government, we can look forward with confidence to a stronger performance from the Labuan IBFC and a higher contribution to a greater shared prosperity.



Zeti Akhtar Aziz

Chairman

25 April 2008

Corporate Profile

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Corporate Profile

Established on 15 February 1996 under Section 3 of the Labuan Offshore Financial Services Authority Act 1996 (LOFSA Act), the Labuan Offshore Financial Services Authority (LOFSA) is the statutory body responsible for the development of the Labuan International Business and Financial Centre (IBFC), formerly known as International Offshore Financial Centre (IOFC).

Objectives of LOFSA

LOFSA was established to:

- promote and develop Labuan as a centre for offshore financial services; and
- develop national objectives, policies and priorities for the orderly growth and administration of offshore financial services in Labuan, and to make recommendations to the Government.

In developing Labuan IBFC in line with these objectives, LOFSA has embarked on a two-pronged strategy as follows:

- to create an integrated offshore financial centre offering a wide range of offshore products and services, including Islamic finance; and
- to provide a legal and supervisory framework for the development of a globally competitive offshore industry.

The ultimate aim is for Labuan to be an IBFC providing offshore financial products and services, including Islamic finance, under a conducive legal and supervisory framework that facilitates international business.

The Authority and its Members

LOFSA is governed by a board known as the Authority. Its members are appointed by the Minister of Finance for a term not exceeding three years, after which they are eligible for reappointment. The current members comprise business leaders from the private sector and representatives from the Government and statutory bodies.

The roles and responsibilities of the Authority include setting the directions and policies relating to the conduct of offshore business activities in the IBFC. The day-to-day administration of LOFSA is entrusted to the Director-General, its chief executive officer.

The members of the Authority are:

- Dr Zeti Akhtar Aziz, Chairman
- Dato' Zarinah Anwar
- Datuk Oh Chong Peng
- Dato' Mohammed Azlan Hashim
- Datuk Ali Abdul Kadir
- Dr A Manaf Hussin
- Encik Abdul Karim Abdul Jalil
- Dato' Basiran Saban
- Dato' Azizan Abdul Rahman, Director-General

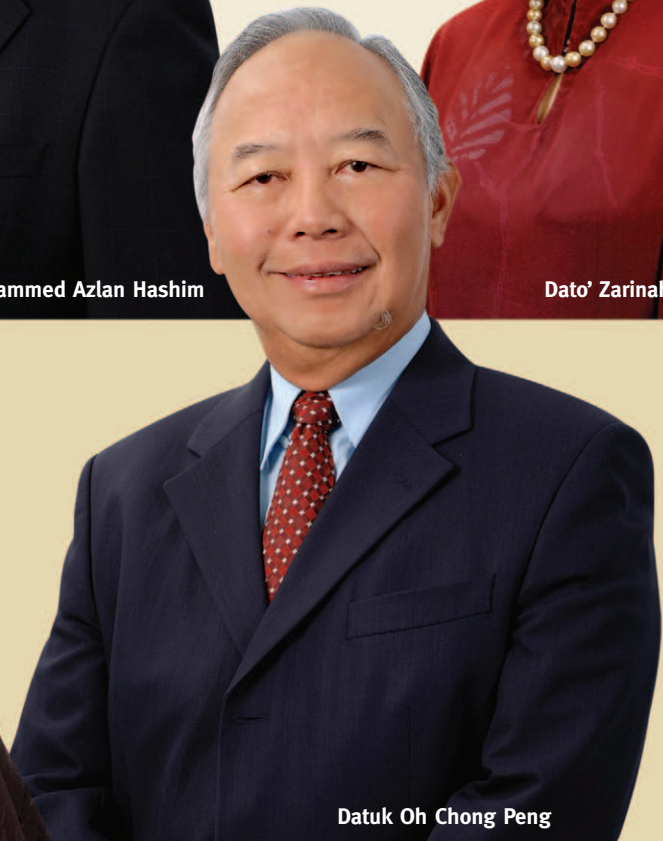
Members of the Authority



Dato' Mohammed Azlan Hashim



Dato' Zarinah Anwar



Datuk Oh Chong Peng



Dr Zeti Akhtar Aziz, Chairman



Dato' Basiran Saban



Dr A Manaf Hussin



Encik Abdul Karim Abdul Jalil



Dato' Azizan Abdul Rahman,
Director-General



Datuk Ali Abdul Kadir

Corporate Profile

Dr Zeti Akhtar Aziz, Chairman

Dr Zeti is the Governor of Bank Negara Malaysia (BNM), a position she has held since May 2000.

She joined BNM in 1985 and served in various senior positions, including Chief Economist, Chief Representative (London Office), Adviser and Assistant Governor. She was the Deputy Governor from 1998 to 2000, taking on additional responsibilities as Acting Governor on 1 September 1998.

At BNM, Dr Zeti presided over the formulation of the Financial Sector Masterplan and the consolidation programme of the domestic banking institutions. During the Asian financial crisis in the late-1990s, she led the BNM team in successfully implementing selective exchange controls to restore stability and promote economic recovery in Malaysia. In the area of Islamic finance, she has been instrumental in its development both in the domestic and international arena. At the regional level, Dr Zeti works closely with other central banks in the East Asian region to strengthen regional financial cooperation.

Dr Zeti holds a Bachelor of Economics from the University of Malaya and a PhD from the University of Pennsylvania, USA.

Dato' Zarinah Anwar

Dato' Zarinah is the Chairman of the Securities Commission (SC), Malaysia, a post she assumed on 1 April 2006. She had served as Deputy Chief Executive of the SC and a member of the Commission since 1 December 2001.

She currently chairs the Malaysian Venture Capital Development Council and Capital Market Development Fund. Since 2006, Dato' Zarinah has also chaired the ASEAN Capital Markets Forum, a grouping of chairmen and senior members of ASEAN securities regulators which advises on capital market-related initiatives in the region. She is a member of the Foreign Investment Committee, Financial Reporting Foundation, National Innovation Council and Institute Integrity of Malaysia.

She started her career in the Government's Legal and Judiciary service where she served as Magistrate, Senior Assistant Registrar, Solicitor in the Public Trustee's Department and Assistant Parliamentary Draftsman in the Attorney-General's Chambers. Prior to joining the SC, Dato' Zarinah was Deputy Chairman of Shell Malaysia.

Dato' Zarinah graduated with an LLB (Hons) from the University of Malaya.

Datuk Oh Chong Peng

Datuk Oh is the Chairman of Alliance Financial Group Berhad. He also sits on the boards of public and private companies, such as Star Publications (Malaysia) Berhad, British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad and Kumpulan Europlus Berhad. He is a trustee of the Huaren Education Foundation and UTAR Education Foundation. He is also a Government-appointed member of the Malaysian Accounting Standards Board.

Datuk Oh was formerly a Government-appointed member of the Kuala Lumpur Stock Exchange from 1990 to 1996 and a director of the Rashid Hussain Berhad group of companies from 1997 to 2002.

He started his career with Coopers & Lybrand (now merged into PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a partner of Coopers & Lybrand Malaysia from 1974 until his retirement in 1997. He is a Fellow of the Institute of Chartered Accountants, England and Wales. Datuk Oh was a Council member (1981-2002) of the Malaysian Institute of Certified Public Accountants, and also a past President (1994-1996).

Dato' Mohammed Azlan Hashim

Dato' Mohammed Azlan is the Chairman of PROTON Holdings Berhad, D & O Ventures Berhad, Golden Pharos Berhad and University of Darul Iman Malaysia.

He also serves as a board member of, amongst others, the Employees Provident Fund, Khazanah Nasional Berhad, Scomi Group Berhad, Malaysian Industry-Government Group for High Technology and Terengganu Incorporated Sdn Bhd.

He has an extensive experience in the corporate sector, including financial services and investment. Positions that he has held include that of Chief Executive/Executive Director of Bumiputra Merchant Bank Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Berhad (formerly known as Kuala Lumpur Stock Exchange) Group.

Dato' Mohammed Azlan holds a Bachelor of Economics (Monash) and a qualified Chartered Accountant (Australia). He is a member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Accountants, Fellow Member of Malaysian Institute of Directors, Fellow Member of the Institute of Chartered Secretaries and Administrators and Honorary Member of the Institute of Internal Auditors, Malaysia.

Corporate Profile

Datuk Ali Abdul Kadir

Datuk Ali is the Chief Executive Officer and Head of Asia of DIG Asia Sdn Bhd, wholly owned by Dubai Holding. He is also the Chairman of several public and private companies, such as Milux Corporation Berhad, Airocom Technology Berhad, Jobstreet Corporation Berhad, Microlink Solutions Berhad and Automotive Centre of Excellence Sdn Bhd. He is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Malaysian Institute of Certified Public Accountants (MICPA). He was a partner of Ernst & Young from 1977 and was the Executive Chairman until February 1999.

He served as a Chairman of the Securities Commission from March 1999 to February 2004, a member of national committees including the National Economic Consultative Council II, Foreign Investment Committee and the Oversight Committee of Danaharta and a trustee of the Financial Reporting Foundation. On the international front, Datuk Ali was the Executive Committee of the International Organisation of Securities Commissions (IOSCO) and Chairman of IOSCO's Asia Pacific Regional Committee and the Islamic Capital Market Task Force. He was also a trustee of the Accounting and Auditing Organisation for Islamic Financial Institutions.

Datuk Ali was a former President of MICPA, had chaired the Institute's Executive Committee and Insolvency Practices Committee and co-chaired the Company Law Forum. He is now the Honorary Advisor to ICAEW Malaysia, Honorary Fellow of the Institute of Chartered Secretaries and Administrators (UK), Honorary Member of the Malaysian Institute of Directors and trustee of Force of Nature Aid Foundation. He is also an Adjunct Professor with University of Malaya and President of the Porsche Club.

Dato' Basiran Saban

Dato' Basiran is the Chief Executive Officer of Labuan Corporation, a position he has held since December 2006.

Prior to joining Labuan Corporation, Dato' Basiran was the District Officer of Kinta, Perak. In a career with the Government that spanned over two decades, Dato' Basiran had held various senior positions, including as Principal Assistant Director with the Public Services Department Malaysia, President of the Taiping Municipal Council, Perak and District Officer of Kerian, Perak.

Dato' Basiran holds a Bachelor of Arts (Hons) from the University of Malaya and a Masters in Development Administration from Michigan University, USA.

Dr A Manaf Hussin

Dr A Manaf is the Deputy Under Secretary in the Loan Management, Financial Market and Actuary Division of the Ministry of Finance (MOF), where he is responsible for management policy of the Government Loan. He is a board member of Amanah Ikhtiar Malaysia, National Feedlot Corporation Sdn Bhd and alternate board member of National Savings Bank (BSN).

In a career with the Government that began in 1980, Dr A Manaf had served with the Economic Planning Unit of the Prime Minister's Department, Pahang State Economic Planning Unit and the MOF. He held senior positions in various units of the MOF, including the State Government Unit, Privatisation and Finance Minister Inc Unit and Capital Market Unit in the Loan Management and Financial Policy Division.

Dr A Manaf holds a Masters in Business Administration (Finance) from Oklahoma City University, USA and a Doctorate in Business Administration (Finance) from National University of Malaysia (UKM).

Encik Abdul Karim Abdul Jalil

Encik Abdul Karim is the Chief Executive Officer of the Companies Commission of Malaysia, a position he has held since 1 November 2005. He is a member of the Corporate Law Reform Committee, Foreign Investment Committee, Financial Reporting Foundation, Malaysian International Islamic Financial Centre and Coalition of Malay Economic Bodies. He is also a member of the Corporate Registers Forum (CRF), an international organisation for administrators of corporate and securities registers. Currently, he is the Co-President of the Executive Committee of CRF.

He began his public service career as a Deputy Public Prosecutor, Attorney-General's Chambers in 1983. He was then assigned to numerous senior positions, which included that of Senior Federal Counsel at the Department of Inland Revenue Malaysia (now known as Inland Revenue Board of Malaysia), Deputy Public Prosecutor of the Attorney-General's Chambers in Penang and Perlis, as well as Sessions Court Judge in Kota Kinabalu, Kuala Lumpur and Melaka. He has also been the Head of the Criminal Appeals Unit of the Prosecution Division, Attorney-General's Chambers, Director of Enforcement with the Securities Commission and Director of the Enforcement and Legal Division of the Anti-Corruption Agency.

Encik Abdul Karim holds an LLB (Hons) from the University of Malaya.

Dato' Azizan Abdul Rahman

Dato' Azizan has been the Director-General of LOFSA since July 2005.

He is a board member and Chairman of the Audit Committee of Labuan Corporation, and has been appointed as a member of LDA Holdings. He also serves as an Exco member of the Malaysia International Islamic Financial Centre.

Prior to his appointment with LOFSA, he was the Director of Banking Supervision, Bank Negara Malaysia (BNM). He has been with BNM since 1979, where his career spanned over several positions in the areas of finance, supervision and examination. During his early years with BNM, he was on the attachment to PricewaterhouseCoopers and Standard Chartered Bank from 1979 to 1983 and 1986 to 1987 respectively. While in BNM, he was a member of the boards and investment committees of several Government bodies, including Pension Provident Fund and ERF Sdn Bhd, besides being an Advisor to the Malaysian Accounting Standards Board.

Dato' Azizan graduated with a Bachelor in Accounting (Hons) from the University of Malaya and holds a Masters in Business Administration from the University of Queensland, Australia. He is a member of CPA (Australia) and a Chartered Accountant of the Malaysian Institute of Accountants.

Corporate Profile

Functions of LOFSA

LOFSA has been entrusted with the following functions:

- To administer, enforce, carry out and give effect to the provisions of the:
 - Offshore Companies Act 1990
 - Labuan Trust Companies Act 1990
 - Offshore Banking Act 1990
 - Offshore Insurance Act 1990
 - Labuan Offshore Trusts Act 1996
 - Labuan Offshore Financial Services Authority Act 1996
 - Labuan Offshore Limited Partnerships Act 1997
 - Labuan Offshore Securities Industry Act 1998
 - any other laws relating to offshore financial services in Labuan;
- To ensure that offshore financial transactions are conducted in accordance with the laws;
- To process applications for conducting business in Labuan IBFC;
- To carry out research and commission studies to deepen and widen the scope of offshore financial services in Labuan;
- To conduct promotional programmes and other activities to enhance the development and growth of Labuan IBFC;
- To make recommendations for the creation and improvement of facilities to enhance the attraction of Labuan as a centre for offshore financial services;

- To cooperate with offshore financial institutions and industry associations in Labuan in promoting and improving offshore financial services; and
- To advise the Government generally on matters relating to offshore financial services in Labuan.

International Memberships

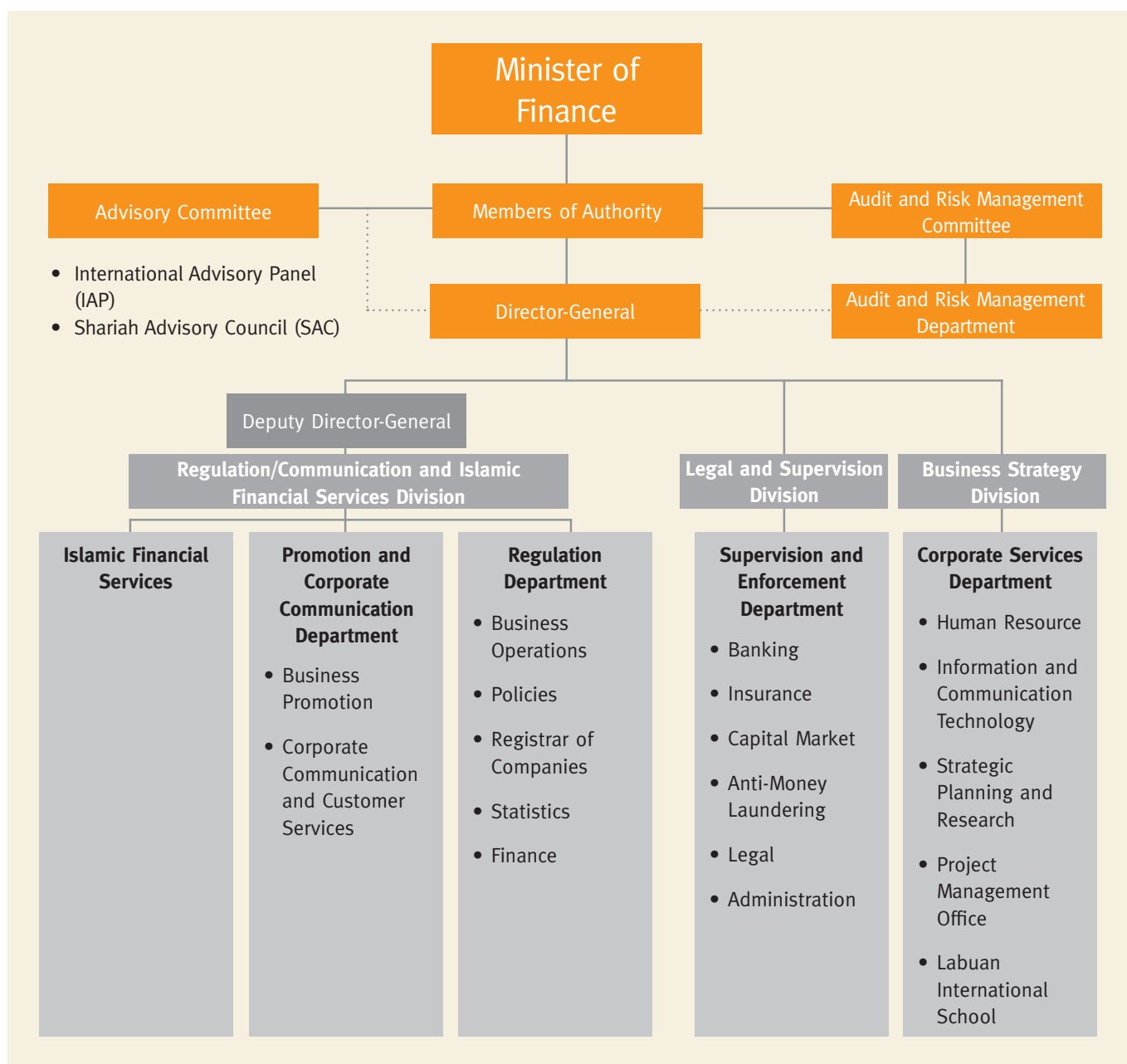
LOFSA is a member of several international organisations that promote a high level of regulatory standard amongst offshore jurisdictions. These organisations are the:

- Offshore Group of Banking Supervisors (OGBS);
- International Association of Insurance Supervisors (IAIS);
- International Organisation of Securities Commissions (IOSCO);
- Offshore Group of Insurance Supervisors (OGIS);
- Asia/Pacific Group on Anti-Money Laundering (APG);
- Islamic Financial Standards Board (IFSB); and
- International Islamic Financial Market (IIFM).

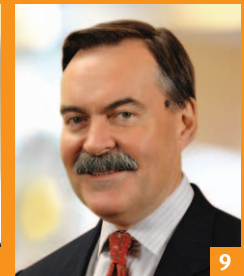
In 2007, the senior management of LOFSA attended the IIFM Executive Committee Meeting in May, APG Annual Meeting in July, OGBS Meeting in October, Annual IOSCO Technical Committee Conference in November, OGIS Working Committee Meeting and IFSB Annual Summit in May.

Organisation Structure

LOFSA is structured into three core areas namely, the Legal and Supervision Division, Business Strategy Division and Regulation/Communication and Islamic Financial Services Division. The structure enables LOFSA to effectively deliver services to the offshore community and potential clients within the regulatory framework while complying with international standards.



The International Advisory Panel



1 Dato' Mohammed Azlan Hashim, Chairman

2 Dato' Ahmad Johan Mohammad Raslan

3 Datuk Seri Panglima Andrew L T Sheng

4 Anthony Neoh

5 George Ratilal

6 Iqbal Khan

7 Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

8 Michael Troth

9 Robert M Tomlin

The International Advisory Panel (IAP) is a consultative body that advises on the strategic direction of the IBFC relating to business and market development. The Authority appoints members of the IAP.

Dato' Mohammed Azlan Hashim, Chairman

Dato' Mohammed Azlan is an Authority Member of LOFSA. His profile is provided on page 17.

Dato' Ahmad Johan Mohammad Raslan

Dato' Ahmad Johan is the Executive Chairman of PricewaterhouseCoopers Malaysia. Dato' Ahmad Johan has over 25 years of experience in business advisory services in Malaysia and the United Kingdom in the areas of financial and corporate reporting.

He is the Chairman of the Financial Reporting Foundation (FRF), a board member and Audit Committee Chairman of Putrajaya Corporation, and Chairman of Institute of Corporate Responsibility, Malaysia. He is also a member of the board of Kuala Lumpur Business Club and a member of the Board of Trustees of Yayasan Tun Suffian.

Dato' Ahmad Johan is an Eisenhower Fellow and an Adjunct Professor of University of Malaya. He is the Vice-President of MICPA, a Council Member of Malaysian Institute of Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Datuk Seri Panglima Andrew L T Sheng

Datuk Seri Panglima Sheng was the Chairman of the Hong Kong Securities and Futures Commission from 1998 to 2005. He was the Chairman of the Technical Committee of the International Organisation of Securities Commissions from October 2003 to September 2005.

He is currently a member of the Governing Council for the International Centre for Education in Islamic Finance, a board member of the Qatar Financial Centre Regulatory Authority and Sime Darby Berhad. He is also Chief Adviser to the China Banking Regulatory Commission and Adjunct Professor at the University of Malaya and Tsinghua University, Beijing.

Anthony Neoh, QC, SC

Mr Neoh is a senior member of the Hong Kong Bar, active in civil appellate and international litigation cases. He is a Chinese National and a permanent resident of the Hong Kong SAR of China (HKSAR). He was a Chief Advisor to the China Securities Regulatory Commission (CSRC) from September 1998 to June 2004 at the personal invitation of former Premier Zhu Rongji. He remains a member of the International Advisory Board of the CSRC. He was the Chairman of the Hong Kong Securities and Futures Commission from 1995 to 1998. He was the elected Chairman of the Technical Committee of the International Organisation of Securities Commissions for 1996 - 1998.

From 1991 to 1994, he was a member of the Hong Kong Stock Exchange Council and its Listing Committee, and chaired its Disciplinary Committee and Debt Securities Group, and the Legal Committee of the Hong Kong

and China Listing Working Group. Mr Neoh is presently chairs the Planning Committee of the Chinese University Law School and an executive committee member of the Council of the Chinese University.

He is also the appointed Arbitrator, China International Economic and Trade Arbitration Commission, Honorary Legal Advisor to the Shenzhen Municipal Government, and Senior Economic Advisor to the Fujian and Tianjin Governments.

Mr Neoh was appointed Queen's Counsel (now retitled, Senior Counsel) in April 1990. He was a Visiting Scholar at the Harvard Law School in 1990/1991 and from September 2001 - May 2002, he was a Visiting Professor from Practice at the Harvard Law School. He was awarded the Honorary Degree of Doctor of Laws by the Chinese University in 2003. He also holds many adjunct, honorary and visiting professorial appointments in universities in the Mainland of China and the HKSAR.

George Ratilal

Mr Ratilal is the Vice President (Finance) of Petroliaam Nasional Berhad (PETRONAS) and a member of its Management Committee. He sits on the boards of several subsidiaries of PETRONAS.

Before joining PETRONAS in 2003, he was with a local merchant bank for 18 years, specialising in corporate finance, where he was involved in advisory work in mergers and acquisitions and the capital markets. He left the merchant bank as Managing Director, a position he held for five years.

Iqbal Khan

Mr Khan is the Founding Board Member of Fajr Capital PLC and Chairman of the Executive Committee and a board member of Jadwa Investment Bank in Saudi Arabia.

Mr Khan was formerly the Founding CEO of HSBC Amanah and previously served as a board member of HSBC Bank Middle East, the Saudi British Bank and HSBC Investment Bank in the Middle East and Saudi Arabia. He formerly held the position of Global Head of Islamic Finance for Citibank and prior to that was a Senior Investment Banker in Bahrain and London.

Mr Khan is a Founding Member of the Harvard Islamic Finance Project at the Harvard University. He is also a member of the International Panel of Advisors for the Islamic Finance Advisory Council for the Dubai International Financial Centre, the Investment Committee for Bank Negara Malaysia Fund for Shariah Investments, and the Islamic Capital Market Consultative Panel for Bursa Malaysia Berhad (formerly known as Kuala Lumpur Stock Exchange).

Mr Khan is a Trustee of the London Muslim Centre and Chairman of the Business and Economics Committee for the Muslim Council of Britain. Mr Khan is also a Founding Member of the recently created HM Treasury Islamic Finance Experts Group.

Mr Khan has a Masters degree in Political Science and International Relations and a BSc (Hons) in Physics and Chemistry, both from Aligarh Muslim University. He further obtained an Advanced Management qualification from INSEAD as well as a professional qualification from NASD, New York.

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

Tan Sri Dato' Megat Zaharuddin is the Chairman of Etiqa Insurance Berhad and Etiqa Takaful Berhad, Etiqa Life International (L) Limited, Etiqa Offshore Insurance (L) Limited, Mayban Life Assurance Berhad and Mayban General Assurance Berhad. He also sits on the boards of Malayan Banking Berhad, Mayban Fortis Holdings Berhad, Capital

Market Development Fund and the International Centre for Leadership in Finance as well as WPL Woodside Energy Limited (Australia).

He was the Regional Chief Executive Officer/Managing Director of Shell Exploration and Production BV in the Netherlands.

Michael Troth

Mr Troth is the Managing Director and Head of Global Wealth Structuring for Asia Pacific and is currently based in Singapore.

Prior to joining Citi Private Bank, he spent 13 years with Jardine Matheson Trust Corporation, of which the last 10 years were in Asia where he was Managing Director of their Asian Trust Business.

Mr Troth obtained his Bachelor of Science degree from Manchester University, Institute of Science and Technology. He is an Associate of the Chartered Institute of Bankers and holds a Diploma in Trust and Estate Practice. He is also a member of the Chartered Institute of Bankers and the Society of Trust and Estate Practitioners.

Robert M Tomlin

Mr Tomlin is the Vice Chairman-Asia of UBS Investment Bank. He also serves as an independent Director of two listed companies in Singapore, a Director of Mediacorp and a Trustee of the Singapore Management University.

He has also served in Government working committees on finance and education, and was a board member of the Stock Exchange of Singapore and PSA Corporation.

The Shariah Advisory Council



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1 Dr Mohd Daud Bakar, Chairman

2 Dr Ahmed Ali Abdalla,
Deputy Chairman

3 Dato' Dr Abdul Halim Haji Ismail

4 Dr Abdullah Ibrahim

5 Professor Madya Dr Ahmad
Shahbari @ Sobri bin Solomon

6 Dr Hussein Hamed Hassan

7 Dr Mohamed Ali Elgari

The Shariah Advisory Council (SAC) is a consultative body that reviews, advises and endorses Shariah matters pertaining to Islamic financial products and services. Members of the SAC are appointed by the Authority.

Dr Mohd Daud Bakar, Chairman

Chief Executive/President International Institute of Islamic Finance (IIIF) and Amanie Business Solutions Sdn Bhd

Bachelor of Jurisprudence, University of Malaya, Malaysia

BA (Hons), University of Kuwait, Kuwait

PhD, University of St Andrews, United Kingdom

Dr Mohd Daud was formerly an Associate Professor in Islamic Law and Deputy Rector at the International Islamic University Malaysia. He is a member of the Central Shariah Advisory Council of Bank Negara Malaysia and Securities Commission of Malaysia. He also serves as a member of Shariah board of Accounting and Auditing Organisation for Islamic Financial Institutions, International Islamic Financial Market (Bahrain), Dow Jones Islamic Market Index, Unicorn Investment Bank (Bahrain) and BNP Paribas.

Dr Ahmed Ali Abdalla, Deputy Chairman

Secretary General, Higher Shariah Supervisory Board, Bank of Sudan

LLB Shariah

LLM Shariah

PhD, University of Khartoum, Sudan

Dr Abdalla is a Shariah Council member for Sudan Council for Fatwa, Higher Shariah Supervisory Committee for Banks and Financial Institutions of Sudan, Shariah Supervisory Committee for International Association for Islamic Banks, Accounting and Auditing Organisation for Islamic Financial Institutions and Bar Association of Sudan. He also represents African region at the Shariah Supervisory Committee, International Islamic Financial Market.

Dato' Dr Abdul Halim Haji Ismail

Executive Director, BIMB Securities Sdn Bhd

BA (Hons) Economics, University of Malaya, Malaysia

PhD, University of Oxford, United Kingdom

Dato' Dr Abdul Halim was the Dean in the Faculty of Economics at National University of Malaysia (UKM) before joining Bank Bumiputra Malaysia Berhad. He was the Chairman of Bank Islam Malaysia Berhad (BIMB) and Chairman of the Board of BIMB subsidiary companies. He is also a member of the Central Shariah Advisory Council of the Bank Negara Malaysia and Securities Commission of Malaysia.

Dr Abdullah Ibrahim

Member of Shariah Supervisory Council,
Bank Islam Malaysia Berhad

Diploma in Education, University Ain
Al-Shams, Cairo

BA Shariah, Al-Madinah University, Madinah

MA, Al-Azhar University, Cairo

PhD, Al-Azhar University, Cairo

Dr Abdullah was a former lecturer at the Department of Shariah & Law, Academy of Islamic Studies, University of Malaya. He also taught Islamic Jurisprudence at the Islamic Institute of Kedah Darul Aman, Malaysia. He was a committee member of the National Fatwa for Islamic Religious Affairs Malaysia and a former member of Shariah Supervisory Council, Syarikat Takaful Malaysia Berhad.

Professor Madya Dr Ahmad Shahbari @ Sobri bin Solomon

Executive Chairman, Pusrawi Corporation Sdn Bhd
BA Shariah, Al-Azhar University, Cairo

MA International Studies, Fairleigh Dickinson
University, USA

MPhil, New York University, USA

PhD, New York University, USA

Dr Ahmad Shahbari is a member of the Shariah Supervisory Council of Syarikat Takaful Malaysia Berhad, Bank Islam Malaysia Berhad and Syarikat Takaful Indonesia. He was a lecturer in the Department of Shariah, National University of Malaysia (UKM) before joining the Kulliyyah of Economics and Kulliyyah of Law, International Islamic University Malaysia. He was also a member of the Islamic Religious Council of Selangor State for 23 years.

Dr Hussein Hamed Hassan

Chairman of Dubai Islamic Bank's Fatwa &
Shariah Supervision Board, UAE

MA, New York University, USA

PhD, Al-Azhar University, Cairo

Dr Hussein Hamed Hassan is an Azharite scholar with a doctorate in the Faculty of Shariah and a Master of Comparative Jurisprudence from the University of New York. He sits on

Shariah Advisory Boards of numerous banks and regulatory bodies. He serves as an advisor to the Presidents of many Muslim countries. He had been a professor of Shariah for more than 22 years and is the author of 21 books on Islamic law, Islamic finance, Islamic economics, Art and Social Studies.

Dr Mohamed Ali Elgari

Associate Professor of Islamic Economics,
King Abdul Aziz University of Jeddah

PhD, Economics, University of California, USA

Dr Mohamed Ali Elgari was a former Director of Centre for Research in Islamic Economics, King Abdul Aziz University of Jeddah. He is a member of Shariah Supervisory Board of Al-Jazira Bank as well as an advisor to several Islamic financial institutions throughout the world. He also sits on the Shariah board of the Dow Jones Islamic Market Indexes. He is also a member of the Islamic Fiqh Academy of Organisation of Islamic Conference (OIC), International Islamic Financial Market as well as the Islamic Accounting & Auditing Organisation for Islamic Financial Institution. Dr Mohamed Ali Elgari has written several books on Islamic banking.

Senior Management



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1 Dato' Azizan Abdul Rahman

2 Danial Mah Abdullah

3 Sani Ab Hamid

4 Iskandar Mohd Nuli

5 Sabaruddin Ismail

6 Md Yunus Atip

Dato' Azizan Abdul Rahman

Director-General

Dato' Azizan is an Authority Member of LOFSA. His profile is provided on page 19.

Danial Mah Abdullah

Deputy Director-General

Danial Mah Abdullah holds a Bachelor of Accounting from the University of Malaya and a Masters in Business Administration from Manchester Business School, England. He is a Chartered Accountant of the Malaysian Institute of Accountants and Member of the Institute of Bankers Malaysia.

He oversees the Regulation/Communication and the Islamic Financial Services Division. The Regulation Department

monitors the business operations and policies covering the banking, insurance and capital market sectors of the International Business and Financial Centre (IBFC). The Department also acts as the Registrar of Companies for the registration of offshore companies. The Promotion and Corporate Communication Department is responsible for customer service functions, marketing and external and internal communications. The Islamic Financial Services Unit is responsible for the development, including policies formulation of the Islamic financial business in Labuan IBFC.

He is the Chairman of the Policy Committee and the Credit Risk, Investment and Risk Management Committee of LOFSA. He is a member

of the Executive Committee of the International Islamic Financial Market (IIFM), Alternate Board Member of IIFM, Chairman of IBBM Advisory Committee (Labuan) and a board member of LOFSA Incorporated Sdn Bhd and Pristine Era Sdn Bhd.

Sani Ab Hamid

Senior Director, Business Strategy Division

Sani Ab Hamid joined LOFSA in August 2005 on secondment from Bank Negara Malaysia. Sani holds a Bachelor of Business Administration majoring in Finance from Western Michigan University, USA, an MBA in Finance from the United States International University and MSc in Actuarial Science from City University, London.

He oversees the Business Strategy Division that covers all strategic functions of LOFSA. In addition, he supervises the Corporate Services Department, which is responsible for business support functions covering human resources, information and communication technology.

Iskandar Mohd Nuli

Senior Director, Legal and Supervision Division

Iskandar holds a Bachelor of Laws (Honours) degree from International Islamic University Malaysia and was admitted as an Advocate and Solicitor in the High Court of Malaya. He is also a Certified Financial Investigator.

He joined LOFSA in 1996 seconded from the Legal Department of Bank Negara Malaysia. He oversees the banking, insurance and capital market supervision as well as legal and financial intelligence. He is responsible for the supervision and enforcement of offshore legislation and regulations, compliance with best practices and standards promoted by international standard setting bodies and the legal affairs of LOFSA

and Labuan IBFC. He also oversees the legal advisory and administration unit. He is a member of the board of LOFSA Incorporated Sdn Bhd and Pristine Era Sdn Bhd.

Sabaruddin Ismail

Director, Corporate Services Department

Sabaruddin graduated with a Bachelor of Arts in Economics from the University of Malaya and holds a Masters of Economics from Boston University, Massachusetts, USA.

Formerly with Bank Negara Malaysia, he joined LOFSA in 1998 and is responsible for the various strategic business initiatives and business support functions of LOFSA covering human resources and information and communication technology. He also oversees the Project Management Office for the Ninth Malaysia Plan projects as well as the Labuan International School. He sits on the board of LOFSA Incorporated Sdn Bhd and Pristine Era Sdn Bhd, which operates the Labuan International School.

Md Yunus Atip

Director, Regulation Department

Md Yunus Atip, formerly with Bank Negara Malaysia, joined LOFSA in 1996. He graduated from Linfield College Oregon, USA, with a Bachelor of Business Administration (majoring in Economics).

He is responsible for the Business Operations, Regulation, Registrar of Companies, Policies and Statistics Units. The activities of these units include processing of company registrations and applications for offshore licences, overseeing the operations of offshore financial institutions and offshore companies, regulating offshore activities, developing business policies and managing statistical returns submitted by these institutions. In addition, he is also overseeing the Finance, Corporate Communication and Customer Services and Business Promotion Units.

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Statement of Corporate Governance

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Statement of Corporate Governance

Corporate Governance sets out the framework and process through which the Authority and Management ensure integrity and sound business operations in accordance with relevant laws, regulations and best practices.

The Authority

In the hierarchy of LOFSA, the Authority is the highest decision-making body. Its members comprise prominent figures from the public and private sectors, who are appointed by the Minister of Finance under Section 5 of the LOFSA Act 1996. There are nine Authority Members including the Director-General.

The Authority is committed to ensuring that LOFSA practises the highest standards of corporate governance in keeping with the spirit of the Malaysian Code of Corporate Governance. The Authority provides the strategic directions, reviews and approves policies and business guidelines for the development of the IBFC, ensures proper financial management and human resource management, and oversees the management of LOFSA.

Authority Meetings

During the year ended 31 December 2007, six Authority meetings were held. The agenda and a full set of papers for deliberation were distributed well before each meeting so that the members have sufficient time to read and study the issues. This ensured that the Authority Members were properly prepared for deliberation and discussion on matters as highlighted in the papers. All issues deliberated and the decisions made at the Authority meetings were minuted accordingly.

Senior management and external consultants were invited to attend the Authority meetings to advise the Authority Members and to provide information and clarification in relation to the relevant items on the agenda tabled at the Authority meetings.

Accountability and Audit

Financial Reporting

The Authority is committed to ensuring that it provides a clear, comprehensive, true and fair view of LOFSA's financial performance at the financial year-end, primarily through the Chairman's statement and annual financial statement in the annual report. The Authority is assisted by the Audit and Risk Management Committee (ARMC) in overseeing and ensuring that the financial statement for 2007 provides a fair assessment of the financial position and the financial reporting processes are in accordance with approved accounting standards.

Internal Controls and Compliance

The internal control system of LOFSA is designed to safeguard the organisation from fraud, loss or failure in internal processes. The system covers organisational, financial, and operational and compliance controls as well as a risk management framework. The internal control system also defines the lines of responsibility and delegation of authority, documents internal policies and enhances procedural manuals, and formulates corporate action plans and the operational budget of LOFSA.

The key elements of the internal control systems of LOFSA are as follows:

- Clearly defined delegation of responsibilities to Management including an organisation structure and authority levels;
- Clearly documented internal policies and procedures that have been updated to take into account the changing environment, risks and enhancement to processes;
- Establishment of committees to review and make recommendations on key areas such as licensing and business application, assets acquisition and human resource development;

- Periodical reporting by the Management to the Authority on financial and business performance indicators as well as key risk issues;
- Annual audit plan covering audits on all the operational functions of LOFSA as well as regular follow-up reports on initiatives implemented to address any deficiencies that have been highlighted and reviewed periodically by the ARMC; and
- Detailed budgeting process that incorporates the inputs of all operational functions of LOFSA for the preparation of the annual budget that is approved by the Authority.

The internal control systems of LOFSA have been adequate to the extent that no material events had occurred that would significantly impact the operations and financial performance of LOFSA.

Responsibility

The Authority recognises that sound internal controls and risk management practices are key elements to good corporate governance. The Authority affirms its responsibility with regard to the internal control system of LOFSA that includes an appropriate control environment and reviews the adequacy and integrity of the control systems in place.

LOFSA has established an adequate framework and processes to evaluate, mitigate, monitor and report significant risks within the organisation. The processes include reviewing and updating the system of internal controls and procedures taking into account changes in the business environment.

The Authority ensures that the Management undertakes actions in the implementation of policies and procedures approved by the Authority in a manner whereby all risks have been comprehensively identified and assessed, and appropriate internal controls have been implemented to ensure that the significant risks have adequate mitigation and control measures.

The Audit and Risk Management Committee (ARMC)

The ARMC comprises four members of the Authority. The ARMC performs the independent oversight on behalf of the Authority to ensure a sound system of internal control. The members of the ARMC are:

Datuk Oh Chong Peng	Chairman
Datuk Ali Abdul Kadir	Member
Dato’ Mohammed Azlan Hashim	Member
Encik Abdul Karim Abdul Jalil	Member

The ARMC is required to meet at least four times a year and additional meetings may be convened as and when deemed necessary. The ARMC convened five meetings in 2007.

The duties and responsibilities of the ARMC include the following:

- To assist the Authority in fulfilling its fiduciary responsibilities by ensuring that internal and external audit findings are fully considered and properly resolved;
- To review the adequacy of the scope, functions and resources of the internal audit function;

Statement of Corporate Governance

- To review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendation of the internal audit function;
- To oversee the risk management framework in LOFSA and recommend the appropriate risk management policies across the organisation; and
- To ensure the adequate infrastructure, resources, systems and internal controls are in place, and review the risk exposure and risk management activities in LOFSA.

The Director-General and the Head of Audit and Risk Management attended all meetings of the ARMC to provide their views and inputs on all matters discussed at the ARMC meetings. Senior management were also invited to attend the ARMC meetings as and when necessary.

Summary of Activities

The ARMC performed its roles and responsibilities in accordance with its terms of reference during year 2007.

The main areas reviewed by the ARMC were as follows:

- Internal audit reports covering risk areas as outlined in the annual audit plan of LOFSA and subsequent follow-up reports highlighting the actions to address the deficiencies arising from the audits;
- External audit review reports by the external auditor and Auditor-General's Office;
- Budget proposal for the following year;
- Financial reporting, including quarterly and annual financial statements; and
- Status on risk issues to be addressed relating to strategic, financial, operational, legal and reputation risks of LOFSA.

Relationship with the Auditor-General

The ARMC ensures that there are formal and transparent engagements to maintain a professional relationship with the Auditor-General. The main responsibilities relating to these are included in the terms of reference of the ARMC.

Internal Audit

In discharging its duties, the ARMC is assisted by the Internal Audit Unit (IAU) that had fully undertaken the internal audit function with effect from January 2007. The role of the IAU is to perform systematic reviews on the activities within LOFSA with objectivity, proficiency and due professional care in evaluating the effectiveness of LOFSA's internal control system and risk management framework for assurance purposes.

During the year, the internal audit function carried out audit programmes in accordance with the audit plan approved by the ARMC. The IAU adopted a risk-based approach in line with best practices, prioritising on high and potentially higher risk areas. The audit findings and recommendations were reviewed by the ARMC.

Enterprise Risk Management (ERM)

LOFSA had implemented an ERM framework in managing its risks systematically. The framework guides LOFSA and provides a structured approach in identifying, evaluating and managing significant risks in pursuit of the objectives of LOFSA.

The Authority, Management and staff of LOFSA are integral parts of the risk management system. In the ERM framework, the Risk Management Organisational Structure assigns the responsibility for risk management and facilitates the process for assessing and communicating risk issues at the strategic and operational levels.

Ultimate accountability for risk management rests with the Authority, which provides governance, guidance and oversight. The Director-General is responsible for the implementation of the ERM framework and its continued application in LOFSA, and for ensuring the alignment of business and risk strategies and policies.

To ensure the ongoing implementation of risk management and updates of risk profiles, the Authority is assisted by the Risk Management Unit (RMU) that reports to the ARMC. The roles and responsibilities of RMU include:

- Creating awareness of risk management throughout LOFSA;
- Facilitating the implementation of the risk management framework;
- Reporting to the Director-General and ARMC on any matters of risk significance;
- Acting as a focal point for risk management activities within LOFSA; and
- Monitoring LOFSA's risks profile and effectiveness of mitigation strategies.

During the year, LOFSA continued to improve the risk management processes by undertaking a review of the ERM framework and risks identified in the risk management system. LOFSA continuously enhances its internal controls and risk management infrastructure in keeping with the highest standards of corporate governance, including strengthening the internal audit function and the adequacy and integrity of internal controls of LOFSA.

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further targets set



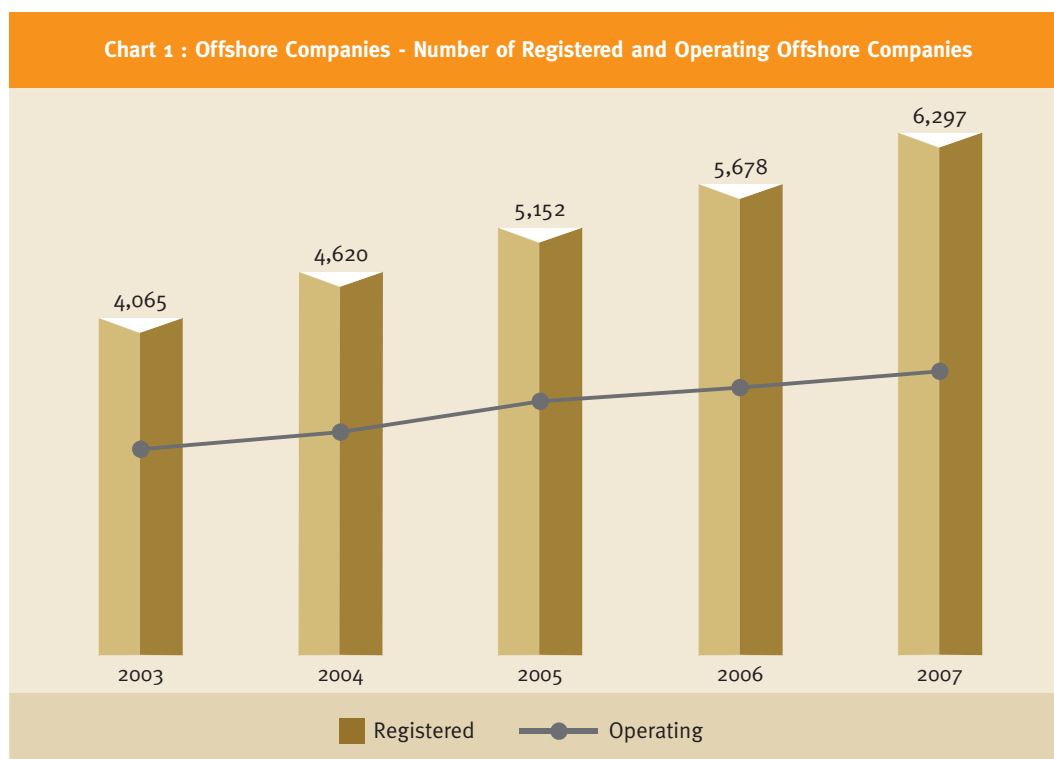
Business Activities of Labuan IBFC

A double digit growth in terms of incorporation of new offshore companies is a testament to Labuan's growing popularity as a preferred international financial centre in the Asia Pacific region. The availability of quality support services in secretarial, accounting and other professional service providers makes Labuan IBFC an attractive domicile for investors. In addition, the strength and diversity of the licensed financial institutions in Labuan IBFC have played a major role and have been essential in bringing in technology, expertise and business to the IBFC. Professional service providers and licensed financial institutions would continue to offer a wide range of products and services under conventional structures and under various Shariah compliant schemes.

The growth of the offshore businesses in 2007 continued to remain strong, evident from the increasing number of industry players during the year under review. Efforts were made to enhance the attractiveness of Labuan IBFC via a more robust yet facilitative regulatory framework. In addition, LOFSA continued to emphasise its client charter by cultivating a culture of customer-oriented service in order to enhance its delivery system and increase the IBFC's overall competitiveness.

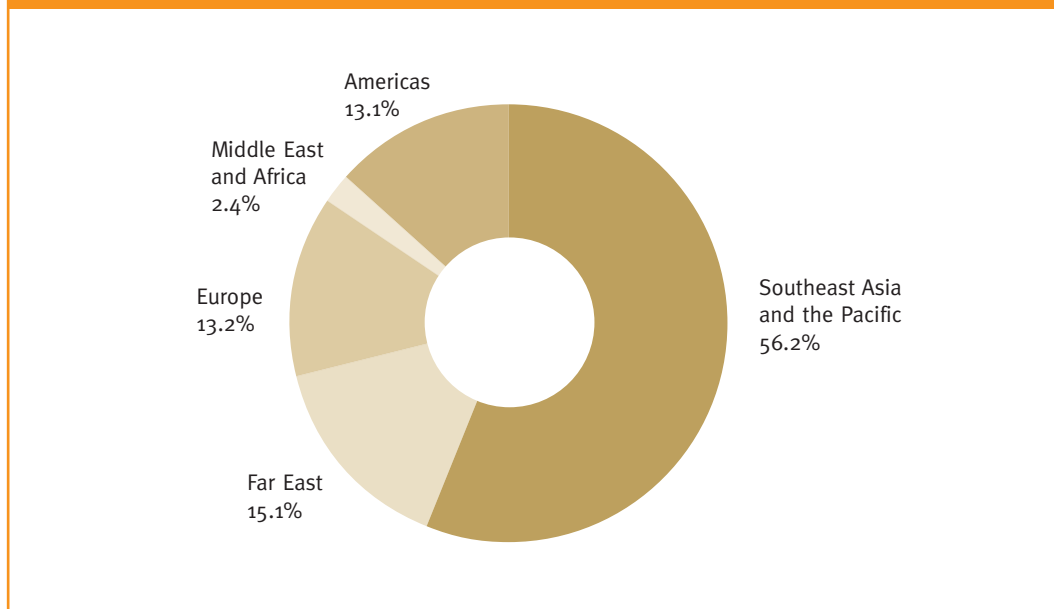
Offshore Companies

In 2007, the total number of companies in Labuan IBFC grew by 11.0% from 5,678 in 2006 to 6,297 arising from the registration of 619 new offshore companies. These companies were established mainly to carry on trading and non-trading activities including investment holding and special purpose companies.



Labuan IBFC remains diverse in terms of the origin of its offshore companies, which come from more than 80 countries. Such diversity reflects the significance and attractiveness of Labuan IBFC as the offshore centre of choice in the Asia Pacific region amongst international investors. Those from Southeast Asia and the Pacific region constituted 56.2% (2006: 55.7%) of the total operating companies in Labuan IBFC. They were from countries that included Malaysia, Indonesia, Singapore, Australia, Thailand, the Philippines and India. Companies from the Far East, which represented 15.1% of the operating offshore companies, were mainly from Hong Kong, Korea, Taiwan, Japan and China. Whereas, the European companies (13.2%) were mostly from the United Kingdom, Germany, the Netherlands, Switzerland, Sweden and France. As for the Americas, the companies primarily originated from the United States of America, British Virgin Islands, Cayman Island, Canada and Bermuda.

Chart 2 : Operating Offshore Companies - Breakdown of Origin by Region as at 31 December 2007



Business Activities of Labuan IBFC

Offshore Banks

As at end-2007, there were 53 offshore banks, including nine investment banks, operating in Labuan IBFC. Of the total, 15 were Malaysian-owned banks, consisting of 11 subsidiaries and four branches, while 38 were foreign-owned, comprising eight subsidiaries and 30 branches.

Total assets of offshore banks rose by 27.8% from USD21.1 billion in 2006 to USD27.0 billion in 2007, mainly due to the increases in loans and advances and inter-branch transactions. As a result, the average assets of offshore banks improved by 27.8% to USD509.0 million (2006: USD398.3 million).

Table 1 : Offshore Banks – Sources and Uses of Funds

	2005	2006	2007	2007	
	USD Million			change (%)	share (%)
Sources:					
Deposits	4,810.1	5,793.1	9,024.2	55.8	33.4
Deposits and Placements of Banks and Other Financial Institutions	3,632.8	2,436.9	3,166.9	30.0	11.7
Balances due to Head Office and Branches Outside Malaysia	7,933.7	10,822.3	11,004.0	1.7	40.8
Others	1,895.8	2,058.0	3,783.9	83.9	14.0
Total	18,272.4	21,110.3	26,979.0	27.8	100.0
Uses:					
Cash and Short-term Funds	2,956.9	2,327.7	2,419.0	3.9	9.0
Balances due from Head Office and Branches Outside Malaysia	2,473.3	2,843.0	5,870.7	106.5	21.8
Investments	1,525.3	2,316.8	2,642.7	14.1	9.8
Loans and Advances	10,369.8	11,938.6	14,127.0	18.3	52.4
Fixed Assets	6.1	5.7	30.8	440.4	0.1
Others	941.0	1,678.5	1,888.8	12.5	7.0
Total	18,272.4	21,110.3	26,979.0	27.8	100.0

Note: Figures may not necessarily add up due to rounding

Borrowing from head offices and branches remained the main source of funding for the offshore banking industry (40.8% of total resources), whilst deposits from non-bank customers accounted for 33.4% of total resources. The utilisation of resources continued to focus on loans and advances, accounting for 52.4% or USD14.1 billion of the total utilised (2006: USD11.9 billion).

Total deposits of offshore banks increased by 55.8% to USD9.0 billion in 2007 (2006: USD5.8 billion). This was contributed by the increase in deposits by both residents and non-residents amounting to USD1.5 billion and USD1.7 billion, respectively. Deposits from non-residents continued to constitute the major portion, accounting for 62.0% of total deposits. In addition, there was a significant increase of 68.7% or USD4.1 billion (2006: USD2.4 billion) in deposit taking by foreign-owned offshore banks mainly due from placements by corporate clients.

Table 2 : Offshore Banks - Key Data

	As at end of			2007	
	2005	2006	2007	change (%)	share (%)
Number of Banks Approved	59	57	56	(1.8)	–
Number of Banks in Operations	56	53	53	–	–
Total Deposits (USD Million)	4,810.1	5,793.1	9,024.2	55.8	100.0
Malaysian-owned Banks	2,777.0	3,385.4	4,961.8	46.6	55.0
Foreign-owned Banks	2,033.1	2,407.7	4,062.4	68.7	45.0
Total Loans Outstanding (USD Million)	10,369.8	11,938.6	14,127.0	18.3	100.0
Malaysian-owned Banks	2,418.4	3,048.5	3,612.1	18.5	25.6
Foreign-owned Banks	7,951.4	8,890.1	10,514.9	18.3	74.4
Number of Employees	474	475	490	3.2	100.0
Malaysian-owned Banks	146	146	160	9.6	32.7
Foreign-owned Banks	328	329	330	0.3	67.3

Table 3 : Offshore Banks - Deposits and Loans Outstanding of Non-Bank Customers

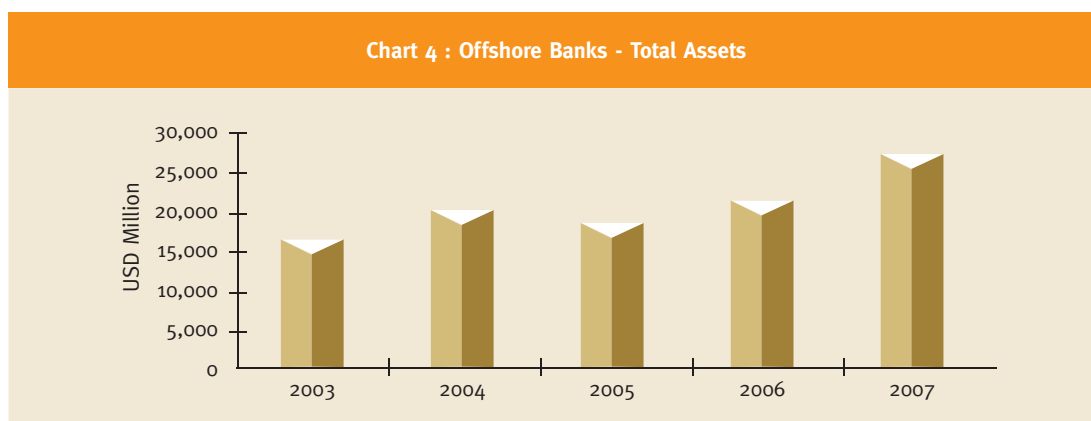
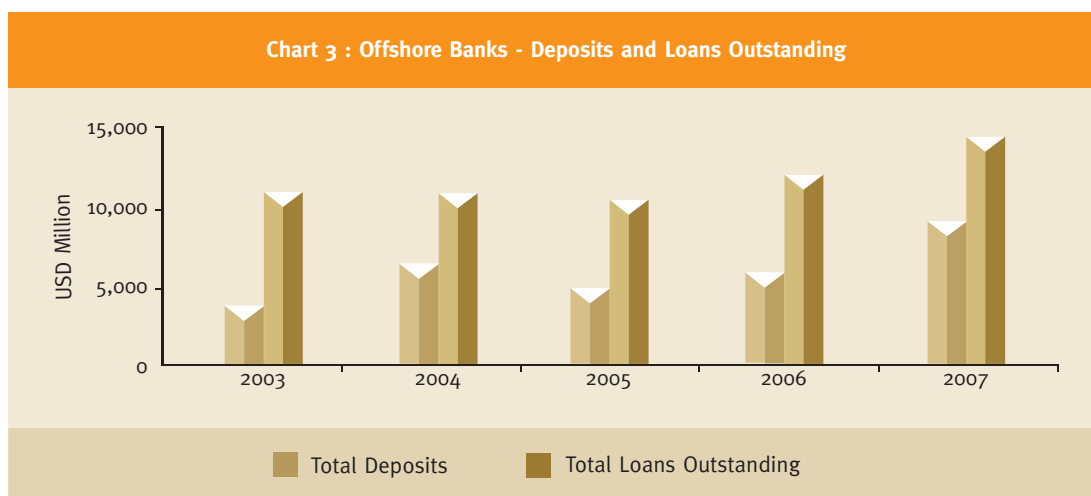
	2005	2006	2007	2007
	USD Million			change (%)
Total Deposits	4,810.1	5,793.1	9,024.2	55.8
Residents	1,391.9	1,899.6	3,428.7	80.5
% share	28.9	32.8	38.0	
Non-Residents	3,418.2	3,893.5	5,595.5	43.7
% share	71.1	67.2	62.0	
Total Loans Outstanding	10,369.8	11,938.6	14,127.0	18.3
Residents	6,177.7	5,207.0	6,570.8	26.2
% share	59.6	43.6	46.5	
Non-Residents	4,192.1	6,731.6	7,556.2	12.2
% share	40.4	56.4	53.5	

Business Activities of Labuan IBFC

Total loans of offshore banks increased by 18.3% to USD14.1 billion (2006: USD11.9 billion). This was contributed by the increase in loans granted to both residents and non-residents amounting to USD1.4 billion and USD0.8 billion, respectively. However, loans granted to non-residents continue to dominate at 53.5% of the total loans outstanding.

Loans outstanding of foreign-owned offshore banks increased by USD1.6 billion or 18.3% to USD10.5 billion, while, Malaysian-owned offshore banks recorded a growth of USD0.6 billion or 18.5%. The foreign-owned offshore banks dominated the market with a 74.4% share as at end-2007 (2006: 74.5%).

Other than providing loans and accepting deposits, the offshore banks in Labuan are also active in off-balance-sheet transactions such as commitments, guarantees and derivatives. As at end of fourth quarter 2007, the total off-balance-sheet items amounted to USD20.7 billion (2006: USD20.1 billion).



In 2007, the transport, storage and communications sector received the most funding support from the offshore banking industry, accounting for 19.7% or USD2.8 billion of total loans outstanding (2006: USD2.3 billion). This was followed closely by the financing, insurance and business services sector with 16.2% or USD2.3 billion (2006: USD2.4 billion) and the manufacturing sector at 15.6% or USD2.2 billion (2006: USD1.8 billion).

Table 4 : Offshore Banks - Direction of Lending by Sectors

Loans by Sectors	2005	2006	2007	2007	
	USD Million			change (%)	share (%)
Agriculture, Hunting, Forestry and Fishing	230.7	364.3	489.7	34.4	3.5
Mining and Quarrying	457.2	474.9	579.8	22.1	4.1
Manufacturing	1,923.2	1,779.1	2,205.8	24.0	15.6
Electricity, Gas and Water	1,370.8	1,417.4	1,966.4	38.7	13.9
Property of which:					
Real Estate	133.9	222.3	176.6	(20.6)	1.3
Construction	148.8	305.7	613.3	100.6	4.3
Housing	49.0	76.2	124.7	63.6	0.9
Wholesale and Retail Trade and Restaurants and Hotels	122.3	158.9	257.5	62.1	1.8
Transport, Storage and Communications	1,695.3	2,294.2	2,789.3	21.6	19.7
Financing, Insurance and Business Services	1,596.6	2,372.9	2,282.9	(3.8)	16.2
Other Services	46.5	0.0	5.6	–	–
Miscellaneous	2,595.5	2,472.7	2,635.4	6.6	18.7
Total	10,369.8	11,938.6	14,127.0	18.3	100.0

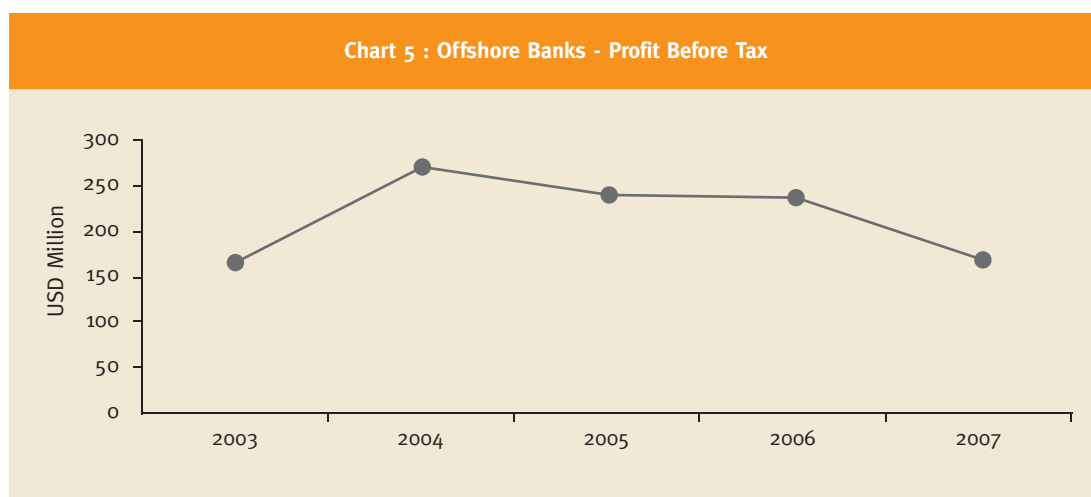
Gross non-performing loans during the year under review stood at 2.0% (2006: 2.8%), indicating a further improvement in loan quality in the offshore banking system. Generally, the offshore banks in Labuan IBFC continued to adopt prudent lending policies and sound credit risk management to preserve their asset quality.

Business Activities of Labuan IBFC

Table 5 : Offshore Banks - Selected Indicators

	2005	2006	2007
Return on Assets (%)	1.3	1.1	0.6
Pre-tax Profit per Employee (USD'ooo)	509.5	503.6	346.9
Staff Cost per Employee (USD'ooo)	30.4	29.5	31.2
Average Assets per Bank (USD Million)	326.3	398.3	509.0
Pre-tax Profit (Loss) (USD Million)	241.5	239.2	170.0
Total Assets (USD Million)	18,272.4	21,110.3	26,979.0
Staff Cost (USD Million)	14.4	14.0	15.3
Number of Employees	474	475	490
Number of Banks in Operations	56	53	53
Number of Banks Approved	59	57	56

The pre-tax profit of the offshore banking industry reduced significantly to USD170.0 million in 2007 (2006: USD239.2 million). As such, return on assets also declined from 1.1% in 2006 to 0.6% in 2007. The reduction was due to the competitiveness in margin of financing coupled with the decrease in fair value of the underlying assets which requires the offshore banks to exercise more prudence by making appropriate provisions.



The total staff strength in the offshore banking industry increased to 490 as at end-2007 (2006: 475). Of the total, 57 staff were non-Malaysians, of whom 26 were in senior management and 19 in middle management. Malaysians holding senior and middle management positions totalled to 139 (2006: 120).

Table 6 : Offshore Banks - Employment

Year	Staff Position	Malaysian	Others	Total
2005	Senior Management	48	23	71
	Middle Management	80	21	101
	Supervisory Staff	134	6	140
	Others	149	13	162
	Total Staff	411	63	474
2006	Senior Management	39	24	63
	Middle Management	81	19	100
	Supervisory Staff	122	5	127
	Others	164	21	185
	Total Staff	406	69	475
2007	Senior Management	50	26	76
	Middle Management	89	19	108
	Supervisory Staff	121	7	128
	Others	173	5	178
	Total Staff	433	57	490

Offshore Investment Banks

The number of licensed offshore investment banks in Labuan IBFC increased to nine in 2007 (2006: 8). The activities of the offshore investment banks include providing consultancy and advisory services relating to corporate and investment matters or making and managing investments on behalf of their corporate or individual clients. Total assets grew by 89.7% to USD684.9 million (2006: USD361.1 million) due to an increase in inter-bank balances, balances in bank accounts and deposits. However, the pre-tax profit of the industry reduced by 2.1% to USD18.8 million (2006: USD19.2 million) due to an increase in operational expenses. Long-term investments continued to form the major asset group with 45.4% or USD310.9 million (2006: USD191.6 million) out of total assets. Consequently, return on assets decreased to 2.7% in 2007 from 5.3% in 2006.

Business Activities of Labuan IBFC

Table 7 : Offshore Investment Banks - Selected Indicators

	2005	2006	2007
Return on Assets (%)	3.5	5.3	2.7
Pre-tax Profit per Employee (USD'000)	102.4	202.1	202.2
Staff Cost per Employee (USD'000)	18.1	22.1	21.5
Average Assets per Bank (USD Million)	30.6	40.1	76.1
Pre-tax Profit (Loss) (USD Million)	8.5	19.2	18.8
Total Assets (USD Million)	245.0	361.1	684.9
Staff Cost (USD Million)	1.5	2.1	2.0
Number of Employees	83	95	93
Number of Banks in Operations	8	9	9
Number of Banks Approved	10	13	12

The operating income of the offshore investment banks were mainly derived from non-interest income including advisory fees and commissions comprising 87.1% of the total operating income of USD40.3 million (2006: USD27.6 million).

In the area of lending activities, the offshore investment banks continued to focus on the financing, insurance and business services sector, with 41.6% or USD11.1 million (2006: 73.8% or USD18.0 million) of total loans outstanding. This was followed by the real estate sector, representing 41.2% or USD11.0 million (2006: 22.5% or USD5.5 million) of total loans outstanding.

Offshore Insurance

As at 31 December 2007, the total number of approved licensees to undertake offshore insurance and insurance-related business in Labuan IBFC increased to 130 (2006: 123). There were nine new licensees approved during the year under review, comprising four captives, three insurance brokers and two reinsurers. Only two licensees (subsidiary rent-a-captive and insurance broker) surrendered their licences as at end-2007 (2006: 7).

Labuan IBFC continued to attract insurance and insurance-related companies from various countries. As at end-2007, 66 insurance and insurance-related licensees originated from Asia and the Pacific region, namely from Malaysia, Japan, Singapore, Hong Kong, Australia, Indonesia, India and Korea. The remaining licensees came from other countries, with those from Europe making up 36 (2006: 35) and those from the United States of America and the Caribbean totalling 20 (2006: 17). The other licensees originated from the Middle East.

Table 8 : Offshore Insurance - Number and Type of Insurance and Insurance-Related Licences

Type of Licence	2005	2006	2007
Life	2	1	1
General	4	4	5
Composite	2	2	2
Reinsurance	23	28	29
Captive	29	29	32
Insurance Manager	6	6	6
Underwriting Manager	9	11	11
Broker	37	42	44
Total	112	123	130

Foreign equity contributed largely to the 25.8% increase recorded in the overall total market capitalisation of the offshore insurance and insurance-related industry, which was USD585.3 million (2006: USD465.5 million) as at end-2007. Total foreign shareholding comprised a 66.5% (2006: 57.6%) share of the total industry's capitalisation.

Table 9 : Offshore Insurance - Total Capitalisation

Held By	2005		2006		2007	
	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)
Malaysian	192,851	58.9	197,304	42.4	196,199	33.5
Others	134,382	41.1	268,163	57.6	389,131	66.5
Total	327,233	100.0	465,467	100.0	585,330	100.0

The industry's diversified total asset portfolio maintained its double digit growth, posting 45.8% from USD1.5 billion in 2006 to USD2.1 billion in 2007. Consistently over the years, fixed deposits/money market instruments were the major assets held by the industry with a 45.2% share or USD965.1 million of total assets (2006: USD714.3 million). The industry's investments in other forms continued to increase, accounting for a 25.3% share of the total asset portfolio.

Table 10 : Offshore Insurance - Total Assets

Assets	2005		2006		2007	
	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)
Fixed Assets	9,600	0.8	8,502	0.6	8,386	0.4
Due from Ceding/Related Companies	213,894	18.3	215,753	14.7	296,689	13.9
Fixed Deposits/Money Market	482,264	41.4	714,254	48.7	965,119	45.2
Cash and Bank Balances	68,965	5.9	90,888	6.2	151,726	7.1
Investments	177,019	15.2	177,445	12.1	173,894	8.1
Others	214,301	18.4	259,099	17.7	541,537	25.3
Total	1,166,043	100.0	1,465,941	100.0	2,137,351	100.0

Business Activities of Labuan IBFC

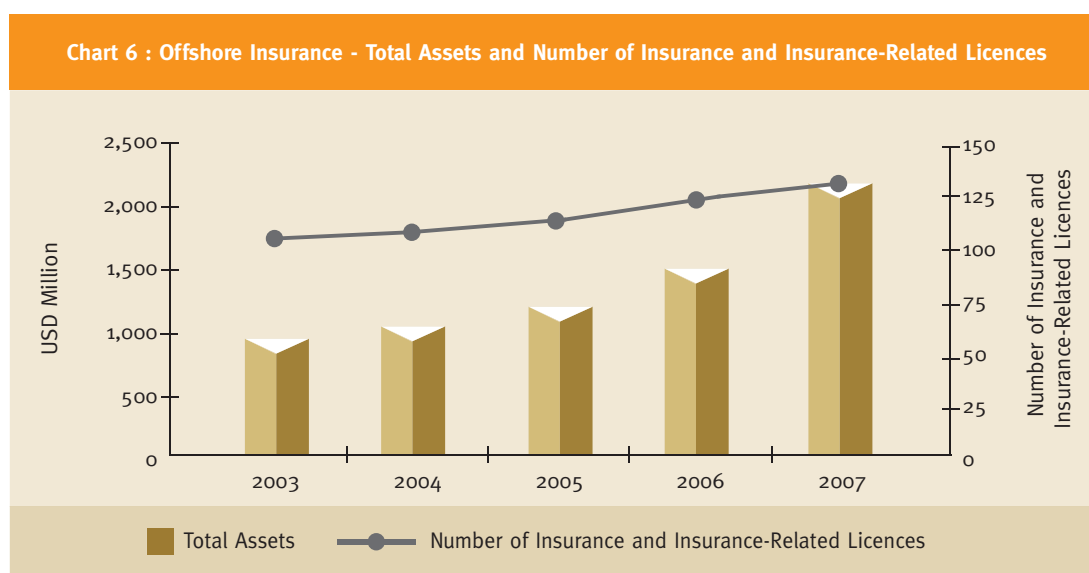


Table 11 : Offshore Insurance - Distribution of Gross Premiums

Year	Total		Fire	Marine	Engineering	Motor	Miscellaneous	Total
	Malaysian	Others						
	USD'ooo							
2005	248,736	256,728	213,924	69,181	47,957	50,317	124,085	505,464
2006	305,894	349,272	263,820	90,261	109,078	45,961	146,046	655,166
2007	353,358	565,841	402,646	108,488	129,402	129,474	149,189	919,199
	change (%)							
2005	18.0	13.9	1.6	15.6	3.2	2.4	76.9	15.9
2006	23.0	36.0	23.3	30.5	127.4	(8.7)	17.7	29.6
2007	15.5	62.0	52.6	20.2	18.6	181.7	2.2	40.3
	share (%)							
2005	49.2	50.8	42.3	13.7	9.5	10.0	24.5	100.0
2006	46.7	53.3	40.3	13.8	16.6	7.0	22.3	100.0
2007	38.4	61.6	43.8	11.8	14.1	14.1	16.2	100.0

Note: Figures may not necessarily add up due to rounding

The offshore general insurance business showed a commendable growth in 2007, with total gross premiums written by offshore general insurers and reinsurers escalating by 40.3% to USD919.2 million (2006: USD655.2 million). This was attributable to the substantial increase of non-Malaysian business written for the fire sector with USD402.6 million (2006: USD263.8 million) and motor sector amounting to USD129.5 million (2006: USD46.0 million). Based on a sectoral analysis, the fire sector was the biggest contributor with 43.8% (2006: 40.3%), followed by motor (2006: 7.0%) and engineering (2006: 16.6%) sectors with equal contribution of 14.1% each share for the year under review. The general offshore insurance business written for the motor sector rebounded to mark a growth of 181.7% in 2007.

Chart 7 : Offshore Insurance - Distribution of Gross Premiums in 2007

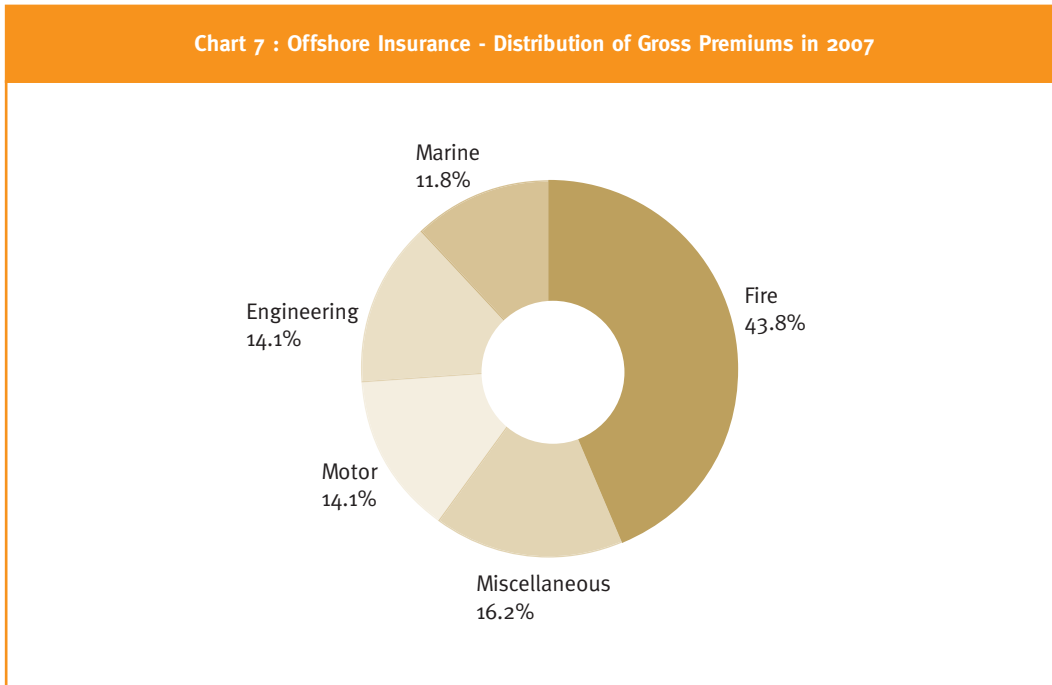


Table 12 : Offshore Insurance - Distribution of Net Premiums

Year	Total		Fire	Marine	Engineering	Motor	Miscellaneous	Total
	Malaysian	Others						
	USD'ooo							
2005	167,472	221,060	178,704	60,961	37,870	46,425	64,572	388,532
2006	199,959	274,450	215,282	70,624	55,135	41,824	91,544	474,409
2007	238,281	438,781	291,094	82,299	67,394	110,727	125,548	677,062
	change (%)							
2005	(9.5)	13.0	(3.5)	12.9	(10.2)	14.5	10.2	2.1
2006	19.4	24.2	20.5	15.9	45.6	(9.9)	41.8	22.1
2007	19.2	59.9	35.2	16.5	22.2	164.7	37.1	42.7
	share (%)							
2005	43.1	56.9	46.0	15.7	9.7	11.9	16.6	100.0
2006	42.1	57.9	45.4	14.9	11.6	8.8	19.3	100.0
2007	35.2	64.8	43.0	12.2	10.0	16.4	18.5	100.0

Note: Figures may not necessarily add up due to rounding

The increase in the net premium retained by insurers and reinsurers boosted the overall net retention ratio (net premium over gross premium) for the industry during the year under review to 73.7% (2006: 72.4%). As in the previous year, the motor insurance business emerged as the highest retained sector with 85.5% (2006: 91.0%), which was mainly due to the higher market capacity to underwrite motor business.

Business Activities of Labuan IBFC

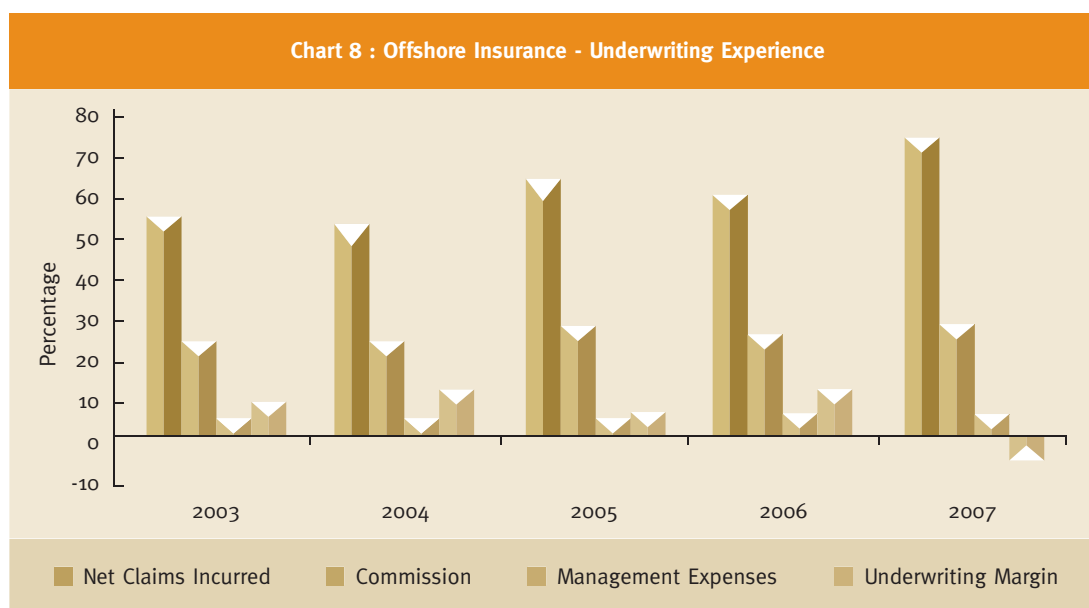
Table 13 : Offshore Insurance - Net Retention Ratio (%)

Year	Fire	Marine	Engineering	Motor	Miscellaneous	Total
2005	83.5	88.1	79.0	92.3	52.0	76.9
2006	81.6	78.2	50.5	91.0	62.7	72.4
2007	72.3	75.9	52.1	85.5	84.2	73.7

Underwriting activity continued to improve in 2007 despite the less favourable claims experience. However, the underwriting margin from the offshore general insurance business deteriorated to negative 5.6% during the year under review. The reduction was largely because of higher net claims incurred from claims related to natural catastrophes. The increase in net claims incurred of 73.5% outweighed the 40.4% increase in net earned premium income.

Table 14 : Offshore Insurance - Underwriting Experience

Year	Earned Premium Income	Net Claims Incurred		Commission		Management Expenses		Underwriting Margin	
	USD'000	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)
2005	378,273	237,800	62.9	101,586	26.8	16,134	4.3	22,753	6.0
2006	430,663	253,814	58.9	107,796	25.0	24,067	5.6	44,986	10.4
2007	604,487	440,408	72.9	165,517	27.4	32,183	5.3	(33,621)	(5.6)



The life insurance industry showed an encouraging increase in the number of total policies in force with a growth of 36.5%. The increase in the number of policies was a result of 252 new policies sold in 2007 (2006: 14) with a sum insured of USD5.1 million (2006: USD1.0 million). The total sum insured and premiums for the year were USD13.2 million and USD11.8 million, respectively. Effective from 21 November 2007, Bank Negara Malaysia (BNM) has removed the policy on premium limit imposed on licensed offshore life insurer that has dealing with Malaysian high net-worth residents. Prior to the policy change, the aggregate maximum value in terms of premium allowed was RM200.0 million. The insurers however, are subject to prudential and disclose requirements as set out by BNM.

Table 15 : Offshore Insurance - Statistics on Investment-Linked Policies

Year		New Policies		Policies in Force	
		Malaysian	Others	Malaysian	Others
2005	Number of Policies	339	39	1,093	82
		USD'000			
	Sum Insured	49	487	11,313	2,030
	Single Premiums	46	495	10,605	1,956
2006	Number of Policies	13	1	307	99
		USD'000			
	Sum Insured	790	256	9,493	869
	Single Premiums	17	19	8,260	723
2007	Number of Policies	252	–	483	71
		USD'000			
	Sum Insured	5,101	24	12,625	569
	Single Premiums	4,548	5	11,205	548

The captive insurance business in Labuan IBFC in 2007 grew at a faster pace resulting from the increase in underwriting activity among captive licensees. The business underwritten by captives to insure large and specialised risks relating to the oil and gas industry was the major contributor to the overall industry's gross premiums, amounting to 55.0% or USD69.9 million (2006: USD61.0 million). The total number of captives operating in Labuan IBFC increased to 32 companies (2006: 29).

Business Activities of Labuan IBFC

Table 16 : Offshore Insurance - Distribution of Gross Premiums for Captive Business

Year	Fire	Marine	Engineering	Miscellaneous	Total
	USD'000				
2005	4,936	348	73	49,025	54,382
2006	9,693	11,223	60,993	29,803	111,712
2007	11,936	14,455	69,928	30,792	127,111
	change (%)				
2005	57.9	521.4	(81.0)	505.1	366.0
2006	96.4	3,125.0	83,452.1	(39.2)	105.4
2007	23.1	28.8	14.6	3.3	13.8
	share (%)				
2005	9.1	0.6	0.1	90.2	100.0
2006	8.7	10.0	54.6	26.7	100.0
2007	9.4	11.4	55.0	24.2	100.0

The total premiums processed by offshore insurance brokers increased by 15.4% to USD297.6 million in 2007 (2006: USD257.9 million). Out of this amount, 81.0% (2006: 80.1%) were processed for general insurance business. The general premiums transacted by offshore insurance brokers were for reinsurance cessions placed with Malaysian insurers (38.8%), overseas insurers (33.4%) and Labuan insurers (27.9%). For life insurance business, all were direct business placed with overseas insurers, representing 19.0% (2006: 19.9%) of the total premiums processed in 2007.

Table 17 : Offshore Insurance - Premiums Placement by Insurance Brokers

	2005	2006	2007
General Business	USD'000		
Labuan	46,321	58,817	67,224
Malaysia	67,619	79,723	93,499
Others	66,523	68,017	80,500
Sub Total	180,463	206,557	241,223
Life Business	USD'000		
Labuan	–	–	–
Malaysia	–	–	–
Others	45,413	51,319	56,405
Sub Total	45,413	51,319	56,405
Grand Total	225,876	257,876	297,628

Due to the increase in premiums processed, the total amount of brokerage earned from the offshore insurance broking sector improved by 22.9% to USD16.9 million (2006: USD13.8 million). Most of these incomes were brokerage earned from general insurance business that accounted for 67.6% (2006: 71.4%) of the total brokerage income.

Table 18 : Offshore Insurance - Brokerage Earned by Insurance Brokers

	2005	2006	2007
General Business	USD'000		
Labuan	1,843	2,655	3,073
Malaysia	3,135	3,737	3,981
Others	3,251	3,435	4,387
Sub Total	8,229	9,827	11,441
Life Business	USD'000		
Labuan	–	–	–
Malaysia	–	–	–
Others	3,040	3,944	5,488
Sub Total	3,040	3,944	5,488
Grand Total	11,269	13,771	16,929

The total number of employees employed by the insurance sector in Labuan IBFC increased by 21.8% to 536 staff in 2007 (2006: 440). This increase went hand-in-hand with the growth in the number of approved licensees during the year under review. The number of Malaysian and foreign staff were 423 (2006: 364) and 113 (2006: 76), respectively. There was a rise in the number of Malaysian staff employed in middle and senior management positions to 168 staff (2006: 133).

Business Activities of Labuan IBFC

Table 19 : Offshore Insurance - Employment

Year	Staff Position	Malaysian	Others	Total
2005	Senior Management	61	40	101
	Middle Management	58	20	78
	Supervisory Staff	74	15	89
	Others	116	2	118
	Total Staff	309	77	386
2006	Senior Management	73	40	113
	Middle Management	60	23	83
	Supervisory Staff	108	7	115
	Others	123	6	129
	Total Staff	364	76	440
2007	Senior Management	89	69	158
	Middle Management	79	25	104
	Supervisory Staff	105	5	110
	Others	150	14	164
	Total Staff	423	113	536

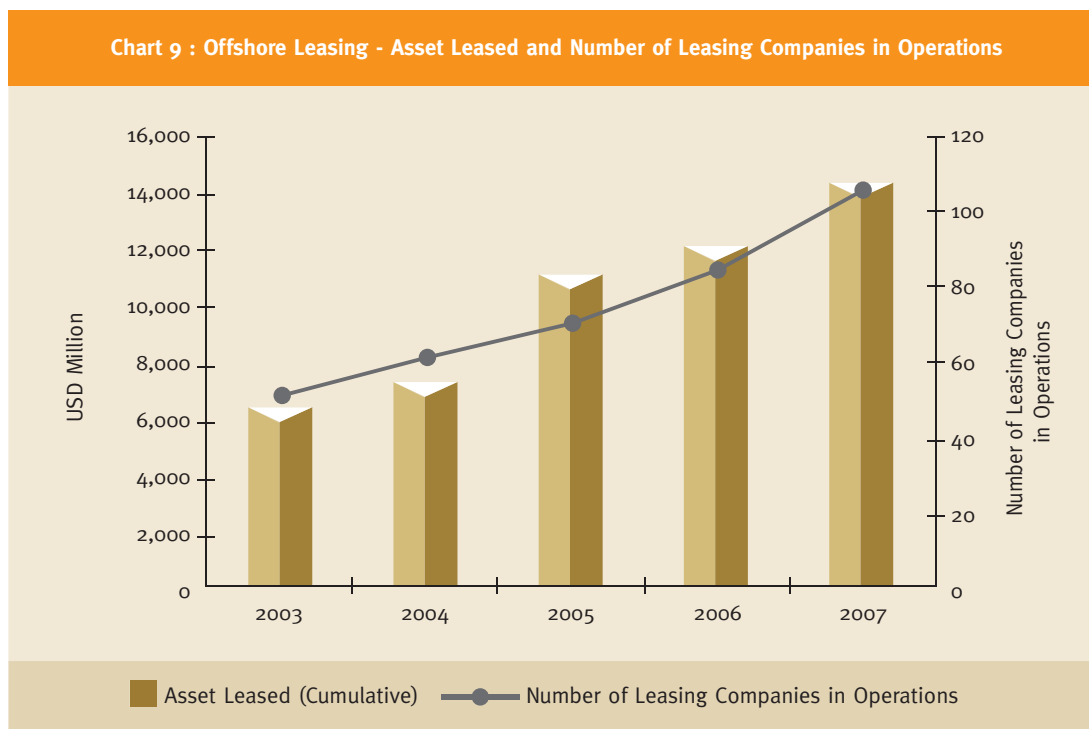
Offshore Leasing

Offshore leasing was the highest growing financial service industry in Labuan IBFC in 2007. The number of leasing companies increased from 83 in 2006 to 104 as at end-2007. During the year, 22 new leasing companies were established, while one of the existing leasing companies discontinued operations. As a result, the cumulative amount of lease financing rose to USD14.1 billion (2006: USD11.9 billion).

The majority of companies carrying out leasing business were from the ASEAN and Asia Pacific region, followed by the Americas and Caribbean. The oil and gas sector in the Asian region continued to dominate leasing business activities in 2007. Fifty-nine leasing companies (2006: 42) were engaged in this sector. Three leasing companies ventured into aircraft leasing activities in the aviation sector, bringing the total number to 40 (2006: 37). In 2007, however, there was growing interest in the construction sector to carry out leasing of construction machineries and related equipments.

Table 20 : Offshore Leasing - Growth

	2003	2004	2005	2006	2007
Number of Leasing Companies in Operations	50	60	69	83	104
	change (%)				
	47.1	20.0	15.0	20.3	25.3
Asset Leased (Cumulative)	USD Million				
	6,254	7,139	10,913	11,908	14,130
	share (%)				
	116.3	14.2	52.9	9.1	18.7



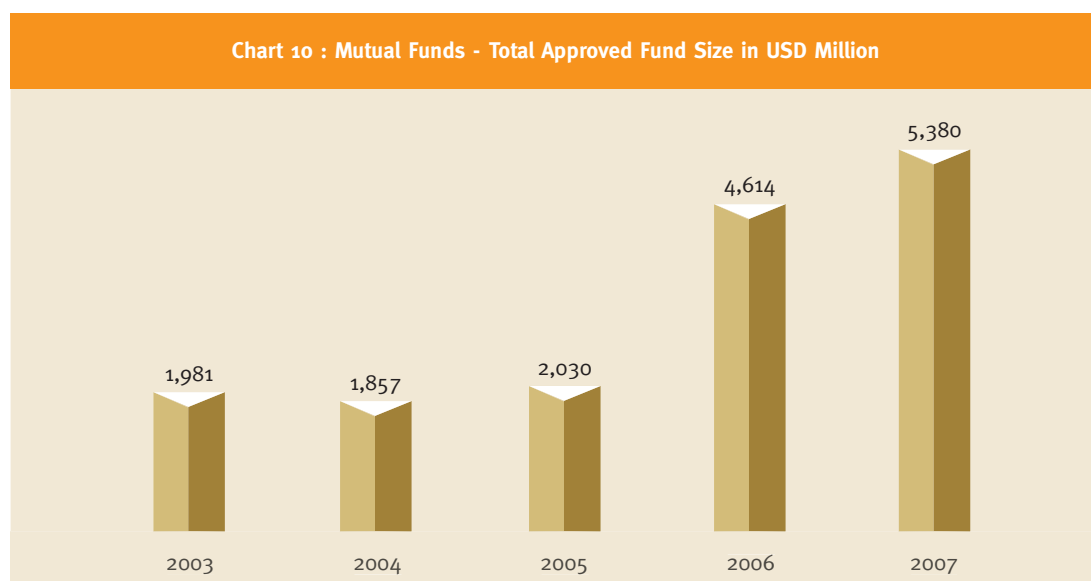
Business Activities of Labuan IBFC

Offshore Fund Management

During the year under review, there were five new approvals for private funds, while one private fund surrendered its consent certificate. All five funds registered were Shariah compliant with a total fund size of USD730.0 million. This brought the total number of registered funds to 31 (2006: 27) as at end-2007. The number of public funds maintained at two. The total approved size of the private funds grew to USD5.3 billion (2006: USD4.5 billion), while the approved size of public funds remained at USD130.0 millions.

Table 21 : Mutual Funds - Total Approved Fund Size

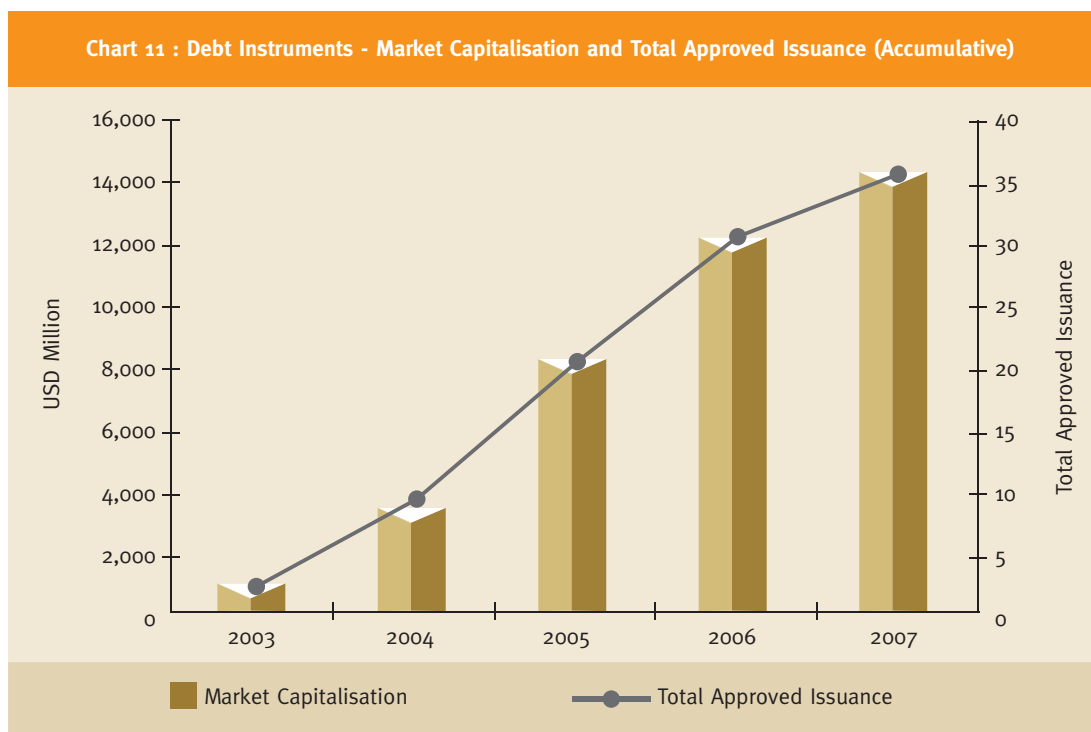
	2003	2004	2005	2006	2007
	USD Million				
Private Fund	1,851	1,725	1,900	4,484	5,250
Public Fund	130	132	130	130	130
Total	1,981	1,857	2,030	4,614	5,380



In 2007, one licence was issued to a fund management company originating from Japan. Three fund managers surrendered their licences, bringing the total number of fund managers to 21 (2006: 23).

Debt Issuance Activities

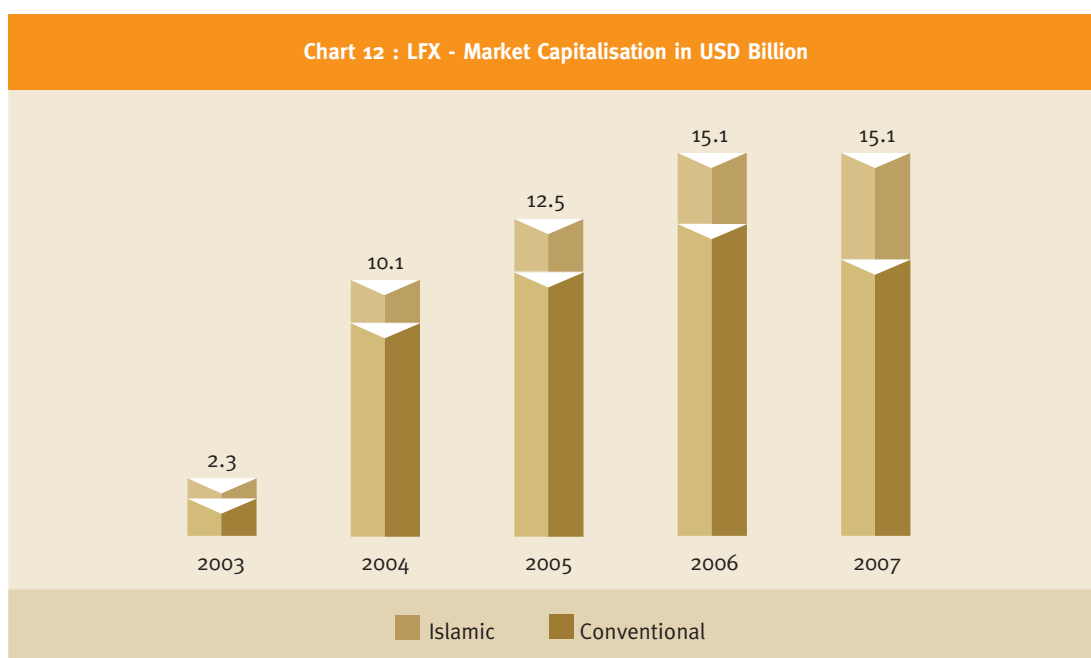
Debt issuance activities in Labuan IBFC grew further in 2007 with five (2006: 10) Special Purpose Vehicles (SPVs) approved by LOFSA to issue debt securities, bringing the total number to 35 (2006: 30). To facilitate the offer of the debt securities to investors, Labuan offshore banks and investment banks were appointed as managers and bookrunners for the issuances. The total market capitalisation of approved debt instruments in 2007 was USD2.1 billion (2006: USD3.9 billion), of which USD500.0 million were Shariah compliant debt instruments.



Business Activities of Labuan IBFC

Labuan International Financial Exchange

The Labuan International Financial Exchange (LFX) recorded four new listings in 2007, bringing the total number of active listings to 31. The market capitalisation of LFX stood at USD15.1 billion as at 31 December 2007. The new listings included sukuku and bonds issued by domestic and international issuers. One of the listings was the Sukuk issuance by Saudi Arabia-based Dar Al-Arkan International Sukuk Company. The company listed its USD1.0 billion Sukuk Al-Ijarah on the LFX, making it the first Saudi corporate sukuk to list on the exchange. It is also the largest sukuk listed on LFX, providing the company to increase liquidity and trading of the sukuk among international investors.



Islamic Financial Services

Out of 53 banks operating in Labuan IBFC, five offer full-fledged Islamic financial services. Three conventional banks offer Islamic financial services through their Islamic windows, while six conventional banks hold Islamic assets. For the year 2007, the total of Islamic assets was USD1.2 billion, a 36.9% increase as compared to preceding year. The total Islamic assets in 2007 represented 4.5% of the total assets of the banking industry.

As at 31 December 2007, total financing outstanding decreased by 15.0% to USD218.6 million (2006: USD257.1 million). The market share of financing granted by the Islamic banks was 1.5% (2006: 2.0%) of total loans and financing outstanding in the offshore banking industry. Of the total financing, 85.2% (2006: 72.2%) were granted to non-residents and the remaining to resident customers. Most of the financing were channelled to property and manufacturing sectors, which accounted for 29.1% and 21.1% of total financing, respectively. Total deposits, however, increased to USD219.4 million (2006: USD37.0 million).

Out of 130 insurance and insurance-related licensees in Labuan IBFC, nine operators offer takaful and retakaful protection, including conventional reinsurers operating with Shariah compliant windows. The takaful and retakaful gross contributions amounted to USD108.4 million as at end-2007, an increase of 42.8% from USD75.9 million in 2006. This represented 11.8% (2006: 11.6%) of total gross contributions generated by the industry. The bulk of the gross contributions (90.5%) were for retakaful business.

Five Islamic private funds amounting to USD730.0 million were registered as at end-2007 (2006: USD151.5 million). The target investors were from the Middle East and high net worth investors in the Asian region. The funds were invested in the Asia Pacific region with primary focus in Southeast Asia, China and India.

Trust Companies

The total number of trust companies registered in Labuan IBFC in 2007 remained at 21. In terms of industry performance, trust companies continued to record an encouraging increase in their aggregate operating income for the fifth consecutive year. The operating income increased by 51.8% to USD14.2 million (2006: USD9.4 million).

Apart from rendering corporate secretarial services, trust companies also provide other services such as trusteeship for foreign-denominated bond issuances and trust products, administrator for mutual funds and administrative work for non-Labuan entities. In 2007, more Labuan trust companies provided business process outsourcing services to their global operations. With the improvement and expansion in business performance of trust companies, the number of employees in the industry correspondingly increased by 18.0%, from 229 in 2006 to 270.

Table 22 : Operating Income and Profit Before Tax

	2003	2004	2005	2006	2007	Annual change
Number of Trust Companies	20	20	20	21	21	
	USD'000					(%)
Operating Income	5,472	5,980	7,251	9,366	14,216	51.8
Profit Before Tax	2,264	2,696	3,150	3,840	6,455	68.1

focused achieving

Supervision of Offshore Financial Institutions

Supervisory Framework	60
Regulatory Initiatives	60
Legislative Changes	61
Anti-Money Laundering/Counter Financing of Terrorism Initiative	61

on goals



Supervision of Offshore Financial Institutions

LOFSA enhanced its supervisory approach that focuses on continuous surveillance initiatives towards ensuring that the fundamental elements of a safe and sound financial system remain intact. These initiatives include having a comprehensive and effective monitoring and surveillance framework and the presence of better and dynamic prudential regulations. Initiatives were also taken to revise and enhance the supervisory and legislative framework, policies and practices, and Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) initiatives in compliance with international standards. In addition, the regulatory and supervisory framework was also refined to harmonise rules and address areas of regulatory overlaps, gaps and regulatory arbitrage. Supervisory co-operation between LOFSA and other domestic and foreign regulatory authorities has also been strengthened.

Supervisory Framework

LOFSA continued to adopt a risk-based supervisory approach where resources are prioritised to areas that pose significant risks to the soundness of the offshore financial institutions (OFIs) and consequent stability of the financial sector. In this regard, further enhancements were made to the Risk-Based Supervisory Framework (RBSF) to provide a structured and forward-looking methodology to assess the OFIs' risk profiles and risk management systems. Under this framework, initiatives continued to be taken to supervise the OFIs, entailing greater emphasis on the early identification of emerging risks as well as vigilant monitoring of the financial conditions and operating soundness of the OFIs. Attention was also accorded towards identifying significant business activities of the OFIs, assessing the key risks in each significant business activity and the capability of the OFIs concerned in managing these risks. The level and frequency of scrutiny will depend on the results of risk assessment conducted on the institutions. Institutions that are well managed relative to their risks will require less supervision.

The improved supervisory framework also called for greater reliance on the board and management of OFIs as well as the internal and external auditors. To meet this objective and to ensure greater responsibility and accountability on

the part of the management and auditors, LOFSA conducted more prudential meetings with both the management and auditors of the OFIs.

The full implementation of the RBSF has greatly facilitated in the supervision of the OFIs. There has been a more systematic and structured risk assessment through the separate assessment of inherent risks and risk management processes. The assessment encompassed the identifying inherent risks in the significant activities, assessing their ability to mitigate and manage these risks and the impact on the capital and earnings of OFIs. With greater emphasis on early identification of emerging risks and system-wide issues, OFIs have been able to avoid amber status.

As part of the RBSF assessment process, automated key financial indicators (KFI) were introduced to red flag any adverse condition of the OFIs. To further improve the quality and effectiveness of the KFI, LOFSA has embarked on a new statistical management system. This initiative is to enhance the early warning mechanism for OFIs.

Based on the supervisory activities carried out on the OFIs, there were no major inadequacies in the areas under review. In general, the OFIs have an adequate level of compliance with the offshore laws, guidelines and circulars issued by LOFSA.

Regulatory Initiatives

The adoption of prudent corporate governance practices is essential for corporate accountability, market discipline and transparency in line with principle-based regulatory framework. With sound corporate governance standards and practices, OFIs will be managed with an appropriate balance between risk-taking activities and business prudence.

To improve compliance with the IAIS Core Principles and IMF's recommendations, LOFSA issued the Guidelines on Market Conduct for Offshore Insurance and Insurance-Related Companies, which came into force on 1 October 2007. The Guidelines provide guidance and basic standards of business conduct to strengthen consumer confidence and protection.

The Guidelines also clarify the relevant provisions under the Offshore Insurance Act 1990 and ensure maintenance of high standards of probity, professionalism and business conduct of offshore insurance and insurance-related companies.

LOFSA recognised the importance of strengthening its customer services functions in facing the challenges of an increasingly competitive and more globalised business environment. It accordingly issued the Framework and Guidance Notes for Complaints Against Offshore Entities in December 2007, which came into force on 1 January 2008. The Framework and Guidance Notes provide a redress mechanism for the public and OFIs to lodge complaints against offshore entities. They also serve as a critical parameter to facilitate more robust enforcement, ensure market integrity and identify gaps in laws and regulations.

To further improve the governance standard of OFIs in Labuan IBFC, LOFSA is developing the Guidelines on Corporate Governance to formalise the fundamental concepts of responsibility, accountability and transparency. The Guidelines aim to set out principles and best practices on structures and processes that OFIs may use in their operations towards achieving the optimal governance standards.

Legislative Changes

In 2007, LOFSA embarked on a holistic approach in reviewing its current entire legal framework for Labuan IBFC, including the nine primary legislative acts, regulations and guidelines. The review is one of the major recommendations under the repositioning strategy for Labuan as an IBFC to ensure it remains competitive in the global business and financial landscape.

The legislative study was conducted in two phases with six different modules. The first three modules have been completed. As part of the consultative approach adopted by LOFSA, the study would take into consideration the views and perspectives from all stakeholders of Labuan IBFC, including domestic regulators, offshore players as well as well-known international experts.

Anti-Money Laundering/Counter Financing of Terrorism Initiative

In February 2007, Malaysia, including Labuan IBFC, went through the second round of the Mutual Evaluation Exercise conducted by the Asia/Pacific Group on Money Laundering (APG). The purpose of the evaluation was to assess member countries' compliance with international standards, namely the 40 Recommendations of the Financial Action Task Force on money laundering (FATF)'s and nine Special Recommendations on terrorist financing. In its full and final report in July 2007, the APG gave Malaysia and Labuan a higher standard of compliance. The positive result reflected the comprehensiveness and effectiveness of the anti-money laundering and counter-terrorism financing measures in Malaysia and Labuan.

The revised AML/CFT Guidelines had been issued in January 2007 to the banking institutions, insurance companies and trust industries. These revised AML/CFT Guidelines specify the regulatory requirements that are in line with the FATF's 40+9 Recommendations and the AMLA. Among others, the revised Guidelines place emphasis on effective oversight by the Board of Directors and senior management to ensure that the policies and procedures adopted by an institution are in compliance with the AMLA and related regulatory requirements.

Recognising that the compliance officers of reporting institutions are responsible for implementing the AML/CFT internal programmes, LOFSA organised capacity-building programmes to provide the necessary continuing education. These training workshops provide the compliance officers with the latest information on money laundering typologies as well as contribute towards better understanding of internal risk controls for enhanced AML/CFT procedures and controls in the institution. In addition, a workshop was conducted for the staff of LOFSA and offshore institutions on the legislative developments in anti-money laundering and anti-terrorism financing in Malaysia.

providing for building

Developmental Review

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ideas
growth
activities



Developmental Review

Repositioning of Labuan as an International Business and Financial Centre (IBFC)

Operating amidst a globalised environment that is increasingly dynamic and competitive, Labuan has to evolve to remain relevant and capture opportunities in the marketplace. To be at a higher level of a vibrant playing field, attract new players and capture greater economic and business throughput coming via the offshore financial gateway, Labuan has to not just meet but exceed the demands and sophistication that the industry expects. Recognising this important aspect of change, LOFSA has repositioned and rebranded Labuan's offshore financial centre after more than 18 years in operation.

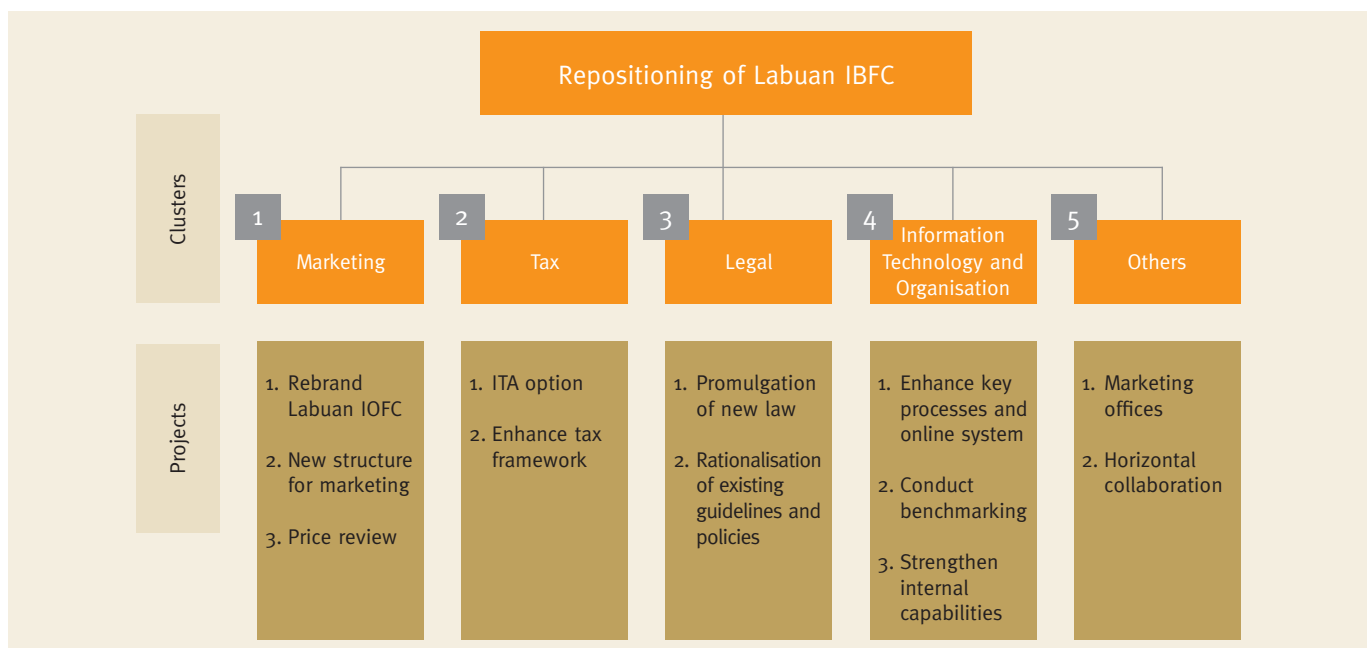
LOFSA undertook a repositioning study in 2007 with the following key objectives:

- i. To identify the appropriate business model for Labuan and its value propositions; and
- ii. To recommend any amendments or additions to the various existing legislation governing the offshore industry and LOFSA to ensure that Labuan remains competitive and responsive to global trends.

Based on the review, various recommendations would be implemented in the next five years including the following:

- Focus on key niches where Labuan has distinct and unique capabilities, specifically holding company structures, Islamic trust and foundation, captives and platform for oversea investments;
- Develop more focused marketing strategies;
- Adopt a competitive pricing structure; and
- Provide a more facilitative, frictionless and flexible operating framework.

The proposals are grouped into five clusters, namely marketing, legal, tax, information technology and organisation, and others as depicted in the diagram below:



Marketing

Under the rebranding exercise, Labuan IOFC was rebranded as Labuan International Business and Financial Centre (IBFC). More than just a name change, the exercise highlighted the wider investment opportunities available to business community worldwide. The new identity of Labuan IBFC would give recognition to the achievements accomplished thus far as well as generate awareness of the IBFC's aspirations to perform in a much broader and larger role. It would reflect LOFSA's continuing commitment towards its vision of Labuan IBFC becoming the premier business and financial centre in the Asia Pacific region with the highest level of integrity and professionalism.

Apart from rebranding, initiatives were also taken to enhance the promotional and marketing strategies of Labuan IBFC, including the establishment of a separate entity to undertake marketing. Such efforts aim to improve the visibility and awareness of Labuan IBFC, which would ultimately contribute towards an increase in the number of offshore companies.

Labuan IBFC's competitiveness would be further improved through a revision of the pricing structure pertaining to incorporation and maintenance fee charges, part of the overall strategy to provide a more facilitative, flexible and frictionless operating environment for businesses to be conducted out of the IBFC. Labuan aims to be Asia's most connected, convenient and cost-efficient international business and financial centre.

Tax Framework

Several strategic initiatives have been implemented to improve the attractiveness of the Labuan IBFC, including to create a tax environment which is favourable to investors, and at the same time, in compliance with international standards.

Significant tax changes were introduced recently with the current corporate and tax framework being enhanced to offer more flexibility and product offerings to both

local and foreign business users. Key features of the tax environment in Labuan IBFC now include:

(i) Election to be taxed under the domestic tax regime

In the past, a Labuan Offshore Company (LOC) carrying on an offshore business activity would be taxed under the Labuan Offshore Business Activity Tax Act 1990 (LOBATA), under which it would pay corporate tax at a rate of 3% on audited net profits or a fixed sum of RM20,000 upon election. Investment holding companies are not subject to tax.

With effect from 1 January 2008, LOCs are provided an irrevocable option to elect to be taxed under the Income Tax Act 1967 (ITA). LOCs which have made the election enjoy, amongst others, a better and more secure access to Malaysia's extensive tax treaty network (of more than 60 treaty partners).

Promoters of LOCs therefore have more choice on the type of vehicle to suit their circumstances as well as sustain their competitiveness.

(ii) Efficient dividend distribution to shareholders

Dividends received from a LOC (which are paid, credited or distributed out of income derived from an offshore business activity, or exempt income) are exempt from tax. For Malaysian shareholders, such dividends can be credited into an exempt account for further distribution of exempt dividends.

Further, the introduction of the single-tier taxation system means that dividends received by Malaysian (domestic) shareholders from LOCs shall be available for tax-free distributions to unlimited tiers of shareholders.

(iii) Tax advance rulings available

Another notable development in the Malaysian tax environment is the introduction of the advance rulings. The Inland Revenue Board had issued the Rules on Advance Rulings providing a framework whereby taxpayers, including LOCs, can obtain clarity and certainty of the Malaysian tax implications of proposed transactions.

Developmental Review

Other Incentives

In addition to the above developments, Labuan IBFC continues to offer a host of other tax incentives, including:

- Tax exemption on royalties received from a LOC by a non-resident person or another LOC;
- Tax exemption on technical and management fees received from a LOC by a non-resident person or another LOC in consideration of services, advice or assistance;
- Tax exemption on distributions received from an offshore trust by the beneficiaries;
- Tax exemption on interest received from a LOC by a resident person (other than a person licensed to carry on a business under Banking and Financial Institutions Act 1989 (BAFIA), Islamic Banking Act 1983 (IBA), Insurance Act 1996 (IA) or Takaful Act 1984 (TA));
- Tax exemption on interest received from a LOC by a non-resident person (other than a person licensed to carry on a business under BAFIA, IBA, IA or TA) or another LOC;
- Tax exemption on rental on movable properties received by non-residents from a LOC licensed under the Offshore Banking Act 1990 or approved by LOFSA to carry out leasing business in Labuan IBFC;
- Stamp duty exemption on instruments executed by LOC in connection with offshore business activities, transfer of shares in offshore companies, and Memorandum and Articles of Association; and
- Income tax exemption for non-citizen individuals working in Labuan IBFC (until year of assessment 2010):
 - 50% of gross employment income for those in a managerial capacity in a LOC;
 - 50% of gross employment income for Trust Officer; and
 - 100% of directors' fees.

These tax incentives, coupled with low establishment and operational costs of doing business in the Labuan IBFC make LOCs ideal entities for global holding structures and cross-border transactions.

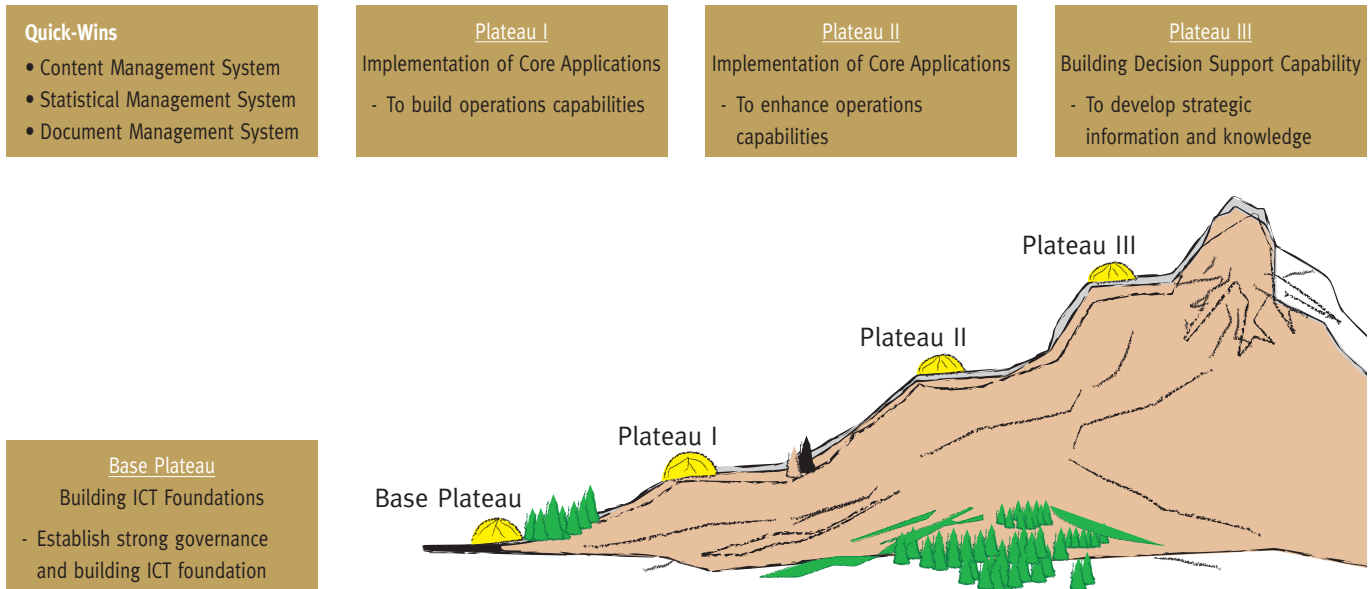
Enhancement to Legal Framework

This is another critical initiative that would have significant impact on the success of Labuan IBFC's new business model. The review of the legal framework would involve the removal of any legal impediments to doing business in, from or through Labuan IBFC, including:

- Modernisation of the existing legal framework in line with recent legal, regulatory and business changes in other offshore financial centres as well as the latest domestic legal and regulatory changes;
- Promulgation of new legislation to govern and administer new offshore businesses; and
- Study of the feasibility of having separate legislation for Shariah-based activities.

Information Technology and Organisation

Information and communication technology (ICT) is an enabler for gaining a competitive edge in the international business and financial industry. It provides the capabilities to improve operational efficiency and an effective and efficient mechanism for product and service delivery. In view of the importance of ICT and to ensure that these objectives are realised, LOFSA developed an ICT Strategic Plan (ISP) that identified the appropriate systems to drive the new business directions and provided a blueprint for their deployment over the next five years.



The ISP will be rolled out in four phases (known as plateaus), as illustrated in the diagram above. Systems on the upper plateaus leverage the capabilities of those on the lower plateaus.

The Base Plateau focuses on establishing strong governance in ICT and strengthening the ICT foundation. It involves a review of the policies and procedures related to business and ICT operations, enhancements to the company registration system (MyLofsa), and implementation of human resource and customer relationship management systems. It also includes ‘quick wins’ systems to facilitate LOFSA’s operations in collecting statistical data, document filing and updating of the website.

Plateau I aims at building operational capabilities by developing and deploying core applications that are identified as high priority to handle critical processes. The operational capabilities include strengthening the ICT support team, defining and implementing internal controls and procedures, deploying a change management system, and implementing infrastructure systems such as the license application and library management systems.

Plateau II continues with the implementation of core applications to enhance operational capabilities. This phase also covers reviews of the ISP, the strength of the ICT Unit, and the efficiency and effectiveness of business processes. The proposed infrastructure systems include a corporate portal as well as accounting and auditing systems.

Plateau III introduces methods and technologies to align LOFSA towards a knowledge environment and decision support role. These technologies capitalise on systems already implemented in earlier phases as well as data generated by these systems. The objective of these systems is to create strategic information and knowledge from the data to facilitate management decision-making.

Others

Besides the specific recommendations to be implemented, the repositioning also identified several other proposals including enhancement of operating requirements for marketing offices, and more collaboration and effective engagements with stakeholders.

Developmental Review

Islamic Financial Services

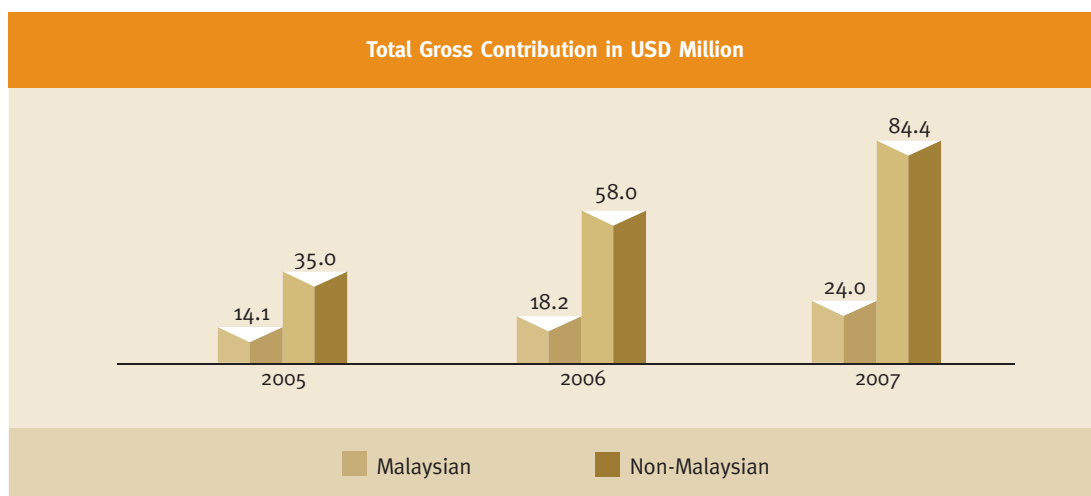
In tandem with the leading role of Malaysia in international Islamic financial business, LOFSA would intensify its effort to develop this key area of growth. The expansion in Islamic financial services and assets in Labuan IBFC in 2007 indicated an increased awareness of the many opportunities in Islamic financial business in Labuan. Such growth augurs well for Labuan's aspiration to play a broader and larger role in the offshore financial industry of the region. There was further impetus from the continual promotional activities and enhancement of the business and legal framework undertaken during the year. The necessary business incentives, training and public awareness programmes were put in place to build the capacity and capability of the financial sector.

Several Islamic banks had diversified their business portfolio in the international market to include wealth management services targeting high net-worth individuals and sophisticated investors in the region. These banks have been encouraged to enhance their internal capabilities so that they can offer a better delivery system, reach new sources of business internationally and gain a more sizeable share of the international financial market. The number of financial institutions offering full-fledged Islamic banking

services is expected to increase due to rising interest from the Middle East and other parts of Asia.

The retakaful sector contributed significantly to the overall development of the Islamic financial services sector in Labuan IBFC. This shows that Labuan IBFC is fast becoming an attractive platform for foreign financial players to tap into the growing takaful and retakaful market in the region. The presence of retakaful operators led to a huge increase in the total retakaful contribution as well as retakaful market share against the total industry. As at December 2007, the non-residents' retakaful contributions comprised three-quarters of the total retakaful contribution in Labuan IBFC. This development is in line with Labuan IBFC's focus to increase the 'out-out' business in the centre.

LOFSA continued to strengthen the regulatory and business framework governing Islamic finance activities. In June 2007, LOFSA issued the Guidelines on Takaful and Retakaful Businesses in Labuan IBFC, which outlined the requirements governing the establishment and operations of takaful and retakaful businesses. These Guidelines supplement the existing provisions under the Offshore Insurance Act 1990 and the Directive on Islamic Financial Business in Labuan IBFC issued in 2003.



Investors continued to be attracted to using Labuan to issue their innovative Islamic financial instruments. At end-2007, seven of the 31 listed instruments on the Labuan International Financial Exchange (LFX) were Shariah compliant securities. The listings brought the LFX's Islamic capital market capitalisation to USD4.2 billion, which represented 28.0% of the total market capitalisation of USD15.1 billion.

In April 2007, a US dollar-denominated Non-Callable five-year Islamic Subordinated Sukuk worth USD300.0 million was issued. This innovative offering was the first international Islamic subordinated issue in the world. LFX further strengthened its international accessibility and strategic role as the preferred bourse for the region with the landmark listing of an international sukuk worth USD1.0 billion. The USD1.0 billion Sukuk Al-Ijarah issued by a Saudi Arabia-based Dar Al-Arkan International Sukuk Company was the first Saudi corporate sukuk to list on the exchange.

Labuan IBFC provides a comprehensive range of Islamic financial services for wealth management and financial engagements that are in line with Shariah principles. The entrance of Middle Eastern funds into the market in Labuan during 2007 can be seen in the increasing number of Islamic private funds established during the year, which witnessed a two-fold increase in total market share of Islamic private funds compared with the overall industry. With total fund size of USD4.1 billion, the Islamic private funds captured one-fourth of the overall market of private funds in Labuan IBFC. An encouraging development was the spread in the funds' investors that included local investors from Malaysia as well as those from Asia and the Middle East. Further growth in the number of funds is expected to finance infrastructure projects, particularly for several of Malaysia's corridor development. Labuan is also well positioned to tap the thriving regional business in the Brunei-Sabah-Philippines triangle focusing on oil and gas industry in regard to Shariah compliant solutions.

In support of the national agenda, LOFSA and Labuan players played an active complementary role in efforts to develop Malaysia as an International Islamic Financial Centre (MIFC). LOFSA played an active role in promoting the MIFC to attract new international players to use Malaysia as their business platform. Together with players from Labuan IBFC, LOFSA participated in various road shows to targeted countries, including those in the East Asia and Gulf Region.

On the world stage, LOFSA continued its strategic alliance with international bodies to further develop Islamic finance at the international level. As a founding member of the International Islamic Financial Market (IIFM), LOFSA have been encouraging offshore financial institutions in Labuan to leverage on IIFM's expertise and initiatives. With the upgrading of its membership in the Islamic Financial Services Board to an Associate Member, LOFSA would play a more active role in enhancing the regulatory standards of Islamic financial services in Labuan as well as abroad.

In June 2007, LOFSA collaborated with Bank Indonesia, the central bank of Indonesia, in organising a Sukuk Workshop in Jakarta. The workshop was held in conjunction with the first Malaysia-Indonesia Investment and Finance Summit organised by LOFSA in the country. Besides a sharing of experiences in structuring innovative sukuk both in the local and global markets, the workshop was also beneficial in promoting Labuan IBFC as the preferred platform for the issuance of sukuk due to its attractive and flexible tax and regulatory infrastructure.

Developmental Review

LOFSA maintained its consultative approach in developing the Islamic financial services framework and strategies. The Shariah Advisory Council (SAC) of Labuan IBFC, with members comprising both local and international Shariah experts, gives effective recommendations to assist LOFSA in developing Islamic finance in accordance with Shariah principles. More importantly, the SAC provides guidance to ensure that the products offered by Labuan's players are universally accepted and able to compete with the existing conventional financial offerings. In addition to the Shariah advisory framework, LOFSA utilised industry experts to provide their perspectives in developing Islamic finance in Labuan. This is undertaken through LOFSA's Task Force on Islamic Finance.

To extend the range of Islamic financial products and services already available in Malaysia, Labuan IBFC will be providing more competitive Shariah compliant trust and foundation services. In view of the increase in 'out-out' business in Labuan in 2007 and the market response towards broadening beyond domestic borders, Labuan is expected to capture these opportunities in the regional market and become the preferred centre for Shariah compliant financial activities.

To develop the capacity and capability of offshore financial institutions in providing Islamic financial services, LOFSA conducted training and awareness programmes for the players concerned. In November 2007, in conjunction with the annual Labuan International Islamic Finance Lecture Series, a two-day Islamic finance workshop was held in collaboration with the International Centre for Education in Islamic Finance (INCEIF). More of such programmes utilising national expertise will be organised to help offshore financial institutions in Labuan IBFC in producing more innovative and competitive Islamic financial products and services.

Human Resource Development

Human resource is a key component to support the new strategic direction of LOFSA and Labuan IBFC. In this respect, LOFSA's human capital development and human resource management have been realigned with its organisational goals encompassing effective recruitment, retention and reward strategies, training and development as well as performance management. As at 31 December 2007, LOFSA has a total of 87 staff and will continue to conduct recruitment exercises to source competent and capable talent.

LOFSA has strengthened the staff strength of core departments such as the Supervision, Islamic Financial Services and Business Operations. In addition, tax specialists have been appointed to augment LOFSA's capabilities in domestic and global tax issues as well as develop a more favourable and attractive tax environment for potential business in Labuan IBFC.

In the area of training, LOFSA continued to provide its staff with appropriate training and development through participation in seminars, courses and programmes organised by reputable training bodies, including the Human Resource Development Centre of Bank Negara Malaysia, the South-East Asian Central Banks Research and Training Centre, Financial Stability Institute, INCEIF, the International Centre for Leadership in Finance and Institute of Banks Malaysia (IBBM).

In 2007, LOFSA has also embarked on a Human Resource Strategic Plan as an integrated effort to promote high performance among its staff and to attract and retain appropriate talent in its workforce. The initiative would encompass a reward system, performance management system, career and succession plan and revised employment terms and conditions.

Corporate Social Responsibility

LOFSA recognises the impact of a sustainable Corporate Social Responsibility (CSR) commitment towards the well-being of its employees, the local community and nation. In this regard, LOFSA focuses its CSR activities in three core areas: Education and Talent Capability; Community and Employee Well-Being.

CSR for Education and Talent Capability

Every year, LOFSA presents the “Excellence Achievement Award” to students of University Malaysia Sabah-Labuan International Campus with high academic achievements aimed at promoting and developing higher education in Labuan.

A more direct initiative is LOFSA’s involvement in managing and funding the Labuan International School (LIS) since 2000. The school, one of the key CSR projects undertaken by LOFSA in the area of education in Labuan, has a total of 200 students. The LIS offers classes from kindergarten to secondary level – an international curriculum for the expatriate community as well as the national curriculum for Malaysians. Apart from education, the LIS also emphasised extra curriculum activities such as sports and music. In this regard, the LIS provides comprehensive facilities including a half Olympic-sized swimming pool and music studio.

Another means of developing talent capability in Labuan is by making available professional developmental activities to the business community of the IBFC. LOFSA, in collaboration with other reputable training organisations such as IBBM and INCEIF, organises a broad spectrum of courses and seminars annually. Through topics that include Islamic finance, anti-money laundering, insurance and fund management, the offshore community are updated on the latest trends and developments in the offshore financial services industry.

CSR for Community

As part of its outreach programme to engage with the local community of Labuan, LOFSA supports various sport and charity activities. In collaboration with the Labuan Sports Council and with the support of offshore financial institutions, LOFSA organises the “LOFSA Run” annually. In 2007, more than 2,000 participants took part in the event. The funds raised were channelled to a number of charitable organisations including the Senior Citizens Association, Handicapped Children in Labuan and the Community Rehabilitation Centre. At the event, LOFSA also assisted Labuan Nucleus Hospital in organising a blood donation campaign. Assistance to disadvantaged groups in Labuan is also high on LOFSA’s CSR agenda. Every year, LOFSA hosts events for orphans and physically disabled individuals together with their families.

Other sporting events and activities supported by LOFSA include the Labuan International Rugby Tournament, Special Olympics Labuan, Pan-Malaysia Sports Festival and Inter-Government Agencies Games.

CSR for Employees

To create a conducive and caring environment for its employees, LOFSA provides competitive remuneration packages and attractive employee benefits, such as medical and dental coverage for the employee and immediate family, personal accident and group term life insurance, low-interest loans for purchase of house and vehicle as well as other forms of financial assistance, aimed to provide work life balance for its employees. In addition, LOFSA invests resources in the development and training of employees to enhance their skills and competencies. To achieve a harmonious organisation and promote a healthy lifestyle for employees, LOFSA through its Staff Recreational and Welfare Club organises various recreational and sporting activities amongst its employees.

Box Article

The Rebranding of Labuan International Offshore Financial Centre

The Labuan International Offshore Financial Centre (IOFC) was established about 18 years ago with the vision of becoming a premier offshore financial centre in the region by ensuring the highest level of integrity, commitment and professionalism. Today, Labuan has grown significantly as an offshore financial centre and has become home to over 300 financial institutions that provide a comprehensive range of financial services. These institutions serve more than 6,000 offshore companies registered in Labuan.

While the success of Labuan thus far cannot be denied, its true potential has yet to be fulfilled. In an environment of increasing international trade and global investment flows, Labuan as an offshore financial centre offers investment opportunities that are manifold. Given the right focus and continued support and commitment, Labuan has the capability to become more than just one of the leading offshore financial centres of the Asia Pacific region. Labuan can in fact be a leading global financial brand in its own right.

In advancing forward, therefore, Labuan IOFC needs to be transformed. The development of Labuan as an IOFC and the dynamism of its infrastructure and business environment, now need to move to a much higher level. Every brand faces the prospect of change at some point. What differs from brand to brand is the approach towards change. Some prefer to wait for change to happen. Labuan chooses to change.

The Change Begins Now

There is no better time to change. Competition is intensifying amongst the many financial centres driven largely by the more discerning requirements of investors. Asia's high growth potential is resulting in an increase in foreign direct investments into the region as well as outward investments from the region's high growth countries. To thrive in this more dynamic environment, to capitalise on available opportunities, to attract the participation of new players, and to capture a greater level of economic throughput from the business activities facilitated through the IOFC gateway, the change must happen now.

As global capital grows and becomes increasingly mobile, as the sophistication of financial products leads to the blurring of boundaries between onshore, offshore and near-shore (neighbouring countries), IOFCs today differentiate themselves by narrowing in on geographical or instrument-specific markets.

To enhance its visibility among international investors as well as Malaysian companies, Labuan has chosen to redefine its role and competitiveness. Looking beyond traditional products and services and capitalising on its strengths – such as its tax treaties signed with more than 60 countries – Labuan IOFC has repositioned itself as a specialist to identify and exploit key windows of opportunity and associate itself with a flagship product.

Labuan IOFC is repositioned as one of Asia's most connected, convenient and cost-efficient International Business and Financial Centre, with a specific focus on business incorporations.

A New Name and Visual Identity

The first step begins by giving the financial centre a clearer and more distinct name: “Labuan International Business and Financial Centre or Labuan IBFC”, a name that is more representative of its new focus.

Labuan IBFC is, however, much more than just a name change. It is a whole new strategic direction for the Labuan Offshore Financial Services Authority (LOFSA), the regulator for Labuan IBFC, as well as all those responsible for driving the Labuan IBFC forward, including the institutions already operating in Labuan.

Malaysia’s strategic location between the growing economies of China and India, her proximity to regional financial centres as well as close ties with the GCC countries, not only position Labuan IBFC as a critical gateway for tapping investment opportunities in the rapidly growing Asia Pacific region, they also bestow an unquestioned advantage in connectivity and convenience. Together with low operational costs of doing business, world-class infrastructure, and extensive and favourable tax treaties with over 60 countries, Labuan IBFC offers a level of cost-efficiency that is second to none.

Key Initiatives

The first wave of change at Labuan IBFC is reflected in the implementation of nine key initiatives. Other initiatives will follow progressively.

- **A more flexible tax framework**

Labuan Offshore Companies (LOCs) are given the option to be taxed under the Income Tax Act 1967 or the Labuan Offshore Business Activity Tax Act 1990. This not only gives LOCs more flexibility to structure their business transactions efficiently, it also creates a more favourable tax environment in Labuan IBFC for investors.

- **A more conducive legal framework**

Changes are being made to legislation to create a facilitative, flexible and frictionless environment, which will be instrumental in ensuring that Labuan IBFC remains relevant in the evolving global landscape.

- **A more competitive pricing structure**

For Labuan IBFC to remain competitive, the current incorporation and maintenance fees will be revised. The new fees will be competitive with the pricing structures of other offshore financial centres.

- **A new marketing focus for Labuan IBFC**

To reach the target investors in Labuan IBFC with greater effectiveness, a more focused function will be created to carry out comprehensive marketing and promotional efforts for Labuan IBFC.

The Rebranding of Labuan International Offshore Financial Centre

- **A new focus on holding company business**
One of the main niche businesses for Labuan IBFC is to become a leading holding company jurisdiction of choice in the Asian region.
- **A commitment to facilitating captive insurance business**
As the captive insurance industry in Labuan has been enjoying commendable growth, Labuan IBFC will continue to encourage institutions to establish their captive insurance operations on the island.
- **Enhancement to key processes**
To increase LOFSA's efficiency and responsiveness to the market, key processes will be re-engineered and technology enhancements implemented.
- **An opportunity to promote Shariah compliant trust and foundations**
Labuan IBFC will leverage on the national strategy of the Malaysia International Islamic Financial Centre by promoting Shariah compliant trusts and foundations. These products are unique to Labuan IBFC and will complement the initiatives of other Governmental agencies to promote Islamic financial products and services in Malaysia.
- **A commitment to enhancing customer service**
As part of its continuing emphasis on improving the customer experience, LOFSA will improve its client charter by benchmarking against other jurisdictions. The charter, which aims to cultivate a culture of customer-oriented service, will enhance LOFSA's delivery system and increase Labuan IBFC's overall competitiveness.

The Corporate and Brand Image

The new dynamic visual identity will form the foundation of Labuan's change process and will be comprehensively cascaded throughout Labuan IBFC. Through LOFSA's commitment towards facilitating business endeavours in Labuan IBFC, those choosing to do business on the island will enjoy a unique advantage.

Financial Statements

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**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2007**

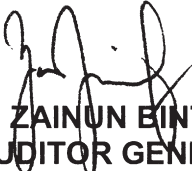
The financial statements of Labuan Offshore Financial Services Authority for the year ended 31 December 2007 have been audited by my representative. These financial statements are the responsibility of the management. My responsibility is to audit and to express an opinion on these financial statements.

2. The audit has been carried out in accordance with the Audit Act 1957 and in conformity with approved standards on auditing. Those standards require an audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessment of the accounting principles used as well as evaluating the overall presentation of the financial statements.

3. In my opinion, the financial statements give a true and fair view of the state of financial affairs of the Labuan Offshore Financial Services Authority and the Group as at 31 December 2007 and of the results of its operations and its cash flow for the year ended based on the approved accounting standards.

4. I have considered the financial statements and the auditors' reports of the subsidiary company of which I have not acted as auditor as indicated in the notes to the financial statements. I am satisfied that the financial statements of the subsidiary company that has been consolidated with the Labuan Offshore Financial Services Authority's financial statements are in appropriate form and content and proper for the purposes of the preparation of the consolidated financial statements. I have received satisfactory information and explanations required by me for those propose.

5. The auditors' report on the financial statements of the subsidiary company was not subject to any observations that could affect the consolidated financial statements.


(HJH. ZAINUN BINTI TAIB)
for AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
10 APRIL 2008



Statement by the Members

Of the Labuan Offshore Financial Services Authority

We, **DR. ZETI AKHTAR AZIZ** and **AZIZAN ABDUL RAHMAN**, being two of the Members of **LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY** state that, in the opinion of the Members of the Authority, the accompanying balance sheets and statements of income, cash flows and changes in reserves are properly drawn up in accordance with the provisions of the Labuan Offshore Financial Services Authority Act, 1996 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Authority at 31 December 2007 and of their operating results and cash flows for the year ended on that date.

On behalf of the Members of the Authority,



DR. ZETI AKHTAR AZIZ
CHAIRMAN



AZIZAN ABDUL RAHMAN
DIRECTOR-GENERAL

Labuan, Malaysia
8 April 2008

Statutory Declaration

By The Officer Primarily Responsible for The Financial Management of Labuan Offshore Financial Services Authority

I, **DANIAL MAH ABDULLAH** (600626-07-5151), the officer primarily responsible for the financial management of **LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in reserves are, 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.



DANIAL MAH ABDULLAH

Subscribed and solemnly declared by the above named **DANIAL MAH ABDULLAH** at **LABUAN, MALAYSIA** on this 8 day of April 2008

Before me,



COMMISSIONER FOR OATHS



Consolidated Income Statement

For The Year Ended 31 December 2007

	Note	2007 RM	2006 RM
Revenue	4	22,396,966	20,109,821
Government grant	17	9,840,422	3,746,457
Other operating income	5	748,232	756,557
Staff costs	6	(11,030,431)	(9,729,432)
Depreciation of property, plant and equipment	9	(1,336,925)	(1,216,161)
Other operating expenses	5	(20,013,124)	(12,840,703)
Surplus from operations		605,140	826,539
Income from other investments	7	1,634,835	1,234,542
Surplus before tax		2,239,975	2,061,081
Tax expense	8	–	–
Net surplus for the year		2,239,975	2,061,081

The accompanying Notes form an integral part of the Financial Statements.

Income Statement

For The Year Ended 31 December 2007

	Note	2007 RM	2006 RM
Revenue	4	21,905,410	19,853,227
Government grant	17	11,446,419	4,746,457
Other operating income	5	706,620	421,908
Staff costs	6	(10,406,210)	(9,300,959)
Depreciation of property, plant and equipment	9	(1,112,713)	(1,160,371)
Other operating expenses	5	(21,460,183)	(13,760,469)
Surplus from operations		1,079,343	799,793
Income from other investments	7	1,610,197	1,232,778
Surplus before tax		2,689,540	2,032,571
Tax expense	8	–	–
Net surplus for the year		2,689,540	2,032,571

The accompanying Notes form an integral part of the Financial Statements.

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Property, plant and equipment	9	6,130,594	3,673,460
Other receivables	11	7,420,928	7,797,836
Prepaid lease payment	12	437,336	437,854
Total non-current assets		13,988,858	11,909,150
Fees receivable	13	1,871,358	931,735
Other receivables	11	3,220,365	1,999,080
Cash and cash equivalents	14	39,805,745	42,998,738
Total current assets		44,897,468	45,929,553
Total assets		58,886,326	57,838,703
RESERVES			
Accumulated surplus		26,977,830	24,737,855
LIABILITIES			
Employee benefits	15	268,000	201,214
Government loans	16	13,000,000	13,000,000
Total non-current liabilities		13,268,000	13,201,214
Deferred income	17	12,536,121	12,253,543
Fees received in advance	18	1,069,546	976,198
Refundable deposits	19	1,200,000	1,250,000
Other payables and accruals	20	3,834,829	5,419,893
Total current liabilities		18,640,496	19,899,634
Total liabilities		31,908,496	33,100,848
Total reserves and liabilities		58,886,326	57,838,703

The accompanying Notes form an integral part of the Financial Statements.

Balance Sheet

At 31 December 2007

	Note	2007 RM	2006 RM
ASSETS			
Property, plant and equipment	9	3,675,233	3,514,288
Investment in subsidiary companies	10	1	1
Other receivables	11	7,420,928	7,797,836
Prepaid lease payment	12	437,336	437,854
Total non-current assets		11,533,498	11,749,979
Fees receivable	13	1,783,580	900,350
Other receivables	11	3,164,521	1,948,147
Cash and cash equivalents	14	39,452,453	41,371,950
Total current assets		44,400,554	44,220,447
Total assets		55,934,052	55,970,426
RESERVES			
Accumulated surplus		27,630,309	24,940,769
LIABILITIES			
Employee benefits	15	268,000	201,214
Government loans	16	13,000,000	13,000,000
Total non-current liabilities		13,268,000	13,201,214
Deferred income	17	9,930,124	11,253,543
Fees received in advance	18	1,069,546	976,198
Refundable deposits	19	1,200,000	1,250,000
Other payables and accruals	20	2,836,073	4,348,702
Total current liabilities		15,035,743	17,828,443
Total liabilities		28,303,743	31,029,657
Total reserves and liabilities		55,934,052	55,970,426

The accompanying Notes form an integral part of the Financial Statements.

Statement of Changes in Reserves

For The Year Ended 31 December 2007

	Note	Accumulated surplus RM
GROUP		
Balance at 1 January 2006 as previously stated		22,680,402
Effect of adoption of FRS 117	25	(3,628)
Balance at 1 January 2006 as restated		22,676,774
Net surplus for the year		2,061,081
Balance at 31 December 2006		24,737,855
Balance at 1 January 2007 as previously stated		
Effect of adoption of FRS 117	25	(4,146)
Balance at 1 January 2007 as restated		24,737,855
Net surplus for the year		2,239,975
Balance at 31 December 2007		26,977,830
AUTHORITY		
Balance at 1 January 2006 as previously stated		22,911,826
Effect of adoption of FRS 117	25	(3,628)
Balance at 1 January 2006 as restated		22,908,198
Net surplus for the year		2,032,571
Balance at 31 December 2006		24,940,769
Balance at 1 January 2007 as previously stated		
Effect of adoption of FRS 117	25	(4,146)
Balance at 1 January 2007 as restated		24,940,769
Net surplus for the year		2,689,540
Balance at 31 December 2007		27,630,309

The accompanying Notes form an integral part of the Financial Statements.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before tax	2,239,975	2,061,081
Adjustments for:		
Depreciation of property, plant and equipment	1,336,925	1,216,161
Government grant	(9,840,422)	(3,746,457)
Gain on disposal of property, plant and equipment	(1,113)	-
Other long term employee benefits	73,116	44,541
Fee income-in-suspense	1,230,127	(557,538)
Property, plant and equipment written off	9,473	32
Interest income	(1,766,654)	(1,419,031)
Amortisation of prepaid lease payment	518	518
Operating Deficit Before Working Capital Changes	(6,718,055)	(2,400,693)
Changes in working capital:		
Fees receivable	(2,169,750)	139,190
Other receivables	(683,874)	(174,486)
Fees received in advance	93,348	170,198
Refundable deposits	(50,000)	-
Other payables and accruals	(1,585,064)	3,405,696
Cash (Used In)/Generated From Operations	(11,113,395)	1,139,905
Interest received	131,819	184,489
Employee benefits settled	(6,330)	-
Net Cash (Used In)/From Operating Activities	(10,987,906)	1,324,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,113	-
Additions to property, plant and equipment	(3,803,532)	(1,884,845)
Interest received	1,474,332	678,072
Net Cash Used In Investing Activities	(2,328,087)	(1,206,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grant received	10,123,000	16,000,000
Net Cash From Financing Activities	10,123,000	16,000,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,192,993)	16,117,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,998,738	26,881,117
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 14)	39,805,745	42,998,738

The accompanying Notes form an integral part of the Financial Statements.

Cash Flow Statement

For The Year Ended 31 December 2007

	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before tax	2,689,540	2,032,571
Adjustments for:		
Depreciation of property, plant and equipment	1,112,713	1,160,371
Government grant	(11,446,419)	(4,746,457)
Gain on disposal of property, plant and equipment	(1,113)	-
Other long term employee benefits	73,116	44,541
Fee income-in-suspense	1,230,127	(557,538)
Property, plant and equipment written off	3,169	-
Interest income	(1,742,016)	(1,417,266)
Amortisation of prepaid lease payment	518	518
Operating Deficit Before Working Capital Changes	(8,080,365)	(3,483,260)
Changes in working capital:		
Fees receivable	(2,113,357)	140,018
Other receivables	(678,963)	(158,152)
Fees received in advance	93,348	170,198
Refundable deposits	(50,000)	-
Other payables and accruals	(1,512,629)	2,820,177
Cash Used In Operations	(12,341,966)	(511,019)
Interest received	131,819	184,489
Employee benefits settled	(6,330)	-
Net Cash Used In Operating Activities	(12,216,477)	(326,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,113	-
Additions to property, plant and equipment	(1,276,827)	(1,793,794)
Interest received	1,449,694	676,308
Net Cash From/(Used In) Investing Activities	173,980	(1,117,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grant received	10,123,000	16,000,000
Net Cash From Financing Activities	10,123,000	16,000,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,919,497)	14,555,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	41,371,950	26,815,966
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 14)	39,452,453	41,371,950

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Labuan Offshore Financial Services Authority was established on 15 February 1996. The main activities of the Authority are to promote and develop Labuan, Malaysia as a centre for offshore financial services and to develop national objectives, policies and priorities for the orderly development and administration of offshore financial services in Labuan.

The principal activities of the subsidiary companies are disclosed in Note 10.

There have been no significant changes in the nature of the principal activities of the Authority and its subsidiary companies during the financial year.

The total number of employees of the Authority at year end was 86 (2006: 83).

The registered office and principal place of operations of the Authority is located at Level 17, Main Office Tower, Financial Park Complex, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia.

The financial statements have been approved by the Members of the Authority for issuance on 8 April 2008.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with the provisions of the Labuan Offshore Financial Services Authority Act, 1996 and applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board (MASB), except as disclosed below.

The MASB has issued the following Standards and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs / Interpretations	Effective date
FRS 107, <i>Cash Flow Statements</i>	1 July 2007
FRS 111, <i>Construction Contracts</i>	1 July 2007
FRS 112, <i>Income Taxes</i>	1 July 2007
FRS 118, <i>Revenue</i>	1 July 2007
FRS 120, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	1 July 2007

2. BASIS OF PREPARATION (Cont'd)

(a) Statement of compliance (Cont'd)

FRSs / Interpretations	Effective date
FRS 134, <i>Interim Financial Reporting</i>	1 July 2007
FRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 July 2007
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	To be announced
IC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 July 2007
IC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	1 July 2007
IC Interpretation 5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 July 2007
IC Interpretation 6, <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 July 2007
IC Interpretation 7, <i>Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies</i>	1 July 2007
IC Interpretation 8, <i>Scope of FRS 2</i>	1 July 2007

The Group plans to apply the abovementioned Standards and Interpretations for the annual period beginning on 1 January 2008 except for FRS 139, *Financial Instruments: Recognition and Measurement* for which the effective date has yet to be announced and FRS 111, FRS 134, IC 1, IC 2, IC 5, IC 6, IC 7 and IC 8 which are not applicable.

The impact of applying FRS 139 on the financial statements upon first adoption of this Standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemption given in FRS 139.103AB.

The initial application of the other Standards is not expected to have any material impact on the financial statements of the Group and the Authority.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency.

2. BASIS OF PREPARATION (Cont'd)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the suspension of fees receivable as disclosed in Note 3(c) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to all entities in the Group. The following Standards are effective for accounting periods beginning on 1 October 2006 and have been adopted by the Group with effect from 1 January 2007:

- (i) FRS 117, *Leases* – The effect of adopting FRS 117 is set out in Note 25.
- (ii) FRS 124, *Related Party Disclosures* – Other than the extended disclosures as required by this Standard, there is no effect on the financial statements of the Group and of the Authority.

(a) Basis of consolidation

(i) *Subsidiary companies*

Subsidiary companies are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiary companies are consolidated using the purchase method of accounting except for business combinations involving entities or businesses under common control which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiary companies are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) *Subsidiary companies (Cont'd)*

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the cost of acquisition and the nominal value of the shares acquired together with the share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiary companies are stated in the Authority's balance sheet at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rates at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to the functional currency at the exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Revenue recognition

Fee income from offshore services

Fees comprise incorporation and registration fees and annual fees of offshore companies, annual licence fees for offshore banks and insurance companies and other related fees received and receivable. Revenue is recognised when services are provided or upon date of incorporation or date of registration of offshore companies and on subsequent anniversary thereof. When fees receivable are overdue by more than certain periods, recognition of fees is suspended until they are realised on a cash basis.

Other fees

Revenue is recognised upon performance of services and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

Rental income

Rental income is recognised on an accrual basis.

(d) Government grants

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants. The grants are recognised in the income statement on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised.

(e) Property, plant and equipment

Recognition and measurement

Capital work-in-progress are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment (Cont'd)

Recognition and measurement (Cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property, plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in the income statement.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Property, plant and equipment purchased at a cost of RM500 and below are expensed as incurred. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	4 years
Computers	3 years
Furniture, fittings, office equipment and renovation	3 to 7 years

Depreciation methods and useful lives are reassesses at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Prepaid lease payment

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payment that is amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payment as property within its property, plant and equipment. On adoption of FRS 117, *Leases*, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payment in accordance with the transitional provisions in FRS 117.67A.

(g) Intangible assets

Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

(h) Impairment of assets

The carrying amounts of the Group's assets, other than financial assets (other than investments in subsidiary companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Impairment of assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(i) Receivables

Fee and other receivables are reduced by the appropriate allowance for estimated irrecoverable amounts and fee income-in-suspense.

(j) Employee benefits

Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contributions to the Employees Provident Fund are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Liability for other long term employee benefits

The Group's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Cash flow statement

The Group adopts the indirect method in the preparation of the cash flow statement.

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

(l) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. REVENUE

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Fee income	23,135,537	19,295,689	23,135,537	19,295,689
Movement in fee income-in-suspense	(1,230,127)	557,538	(1,230,127)	557,538
Other fees	491,556	256,594	–	–
	22,396,966	20,109,821	21,905,410	19,853,227

5. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Other operating income:				
Interest income from staff loans:				
- Key management personnel	28,021	33,744	28,021	33,744
- Others	103,798	150,745	103,798	150,745
Rental income	10,755	11,010	8,200	8,250
Miscellaneous income	604,545	242,690	565,488	229,169
Gain on disposal of property, plant and equipment	1,113	-	1,113	-
Waiver of debts	-	318,368	-	-
Other operating expenses:				
Project expenditure incurred under the Ninth Malaysia Plan government grant:				
- Third parties	(9,840,422)	(3,746,457)	(7,459,160)	(2,746,457)
- Subsidiaries	-	-	(3,987,259)	(2,000,000)
Auditors' remuneration	(19,000)	(19,000)	(14,000)	(14,000)
Members' remuneration:				
- Executive	(766,208)	(533,422)	(766,208)	(533,422)
- Non-executive	(44,000)	(50,400)	(44,000)	(50,400)
Other key management personnel compensation:				
Short term employee benefits	(2,250,346)	(2,048,963)	(2,250,346)	(2,048,963)
Rental expenses	(1,150,029)	(710,706)	(1,063,092)	(689,516)
Fees receivable written off	(1,170,100)	(1,287,039)	(1,170,100)	(1,287,039)
Contributions to LOFSA Staff Welfare Fund	266,481	-	266,481	-
Property, plant and equipment written off	(9,473)	(32)	(3,169)	-
Amortisation of prepaid lease payment	(518)	(518)	(518)	(518)
Allowance for doubtful staff loans	(186,594)	-	(186,594)	-

6. STAFF COSTS

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Staff costs	11,030,431	9,729,432	10,406,210	9,300,959

Included in staff costs are the Group's and the Authority's contributions to the Employees Provident Fund of RM1,095,823 (2006: RM949,765) and RM1,033,775 (2006: RM914,183) respectively.

7. INCOME FROM OTHER INVESTMENTS

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest received from:				
Fixed deposits	1,615,471	1,195,085	1,590,833	1,193,321
Money at call	19,364	39,457	19,364	39,457
	1,634,835	1,234,542	1,610,197	1,232,778

8. TAX EXPENSE

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Current tax expense:				
Malaysian income tax	–	–	–	–

Group

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

The Authority

No provision for taxation was made although the Authority made a surplus as the Authority has been exempted from tax on all its income, other than dividend income, under the Income Tax (Exemption) (No.33) Order 1997 [PU(A) 221/97], Income Tax (Exemption) (Amendment) (No.2) Order 2003 [PU(A) 198/2003] and pursuant to Section 127(3A) of the Income Tax Act, 1967 until the year of assessment 2010.

8. TAX EXPENSE (Cont'd)**Reconciliation of effective tax expense**

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Surplus before tax	2,239,975	2,061,081	2,689,540	2,032,571
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	604,793	577,103	726,176	569,120
Effect of income not subject to tax	(850,252)	(702,443)	(726,176)	(569,120)
Effect of expenses not deductible for tax purposes	64,827	9,617	–	–
Deferred tax assets not recognised	180,632	115,723	–	–
Tax expense for the year	–	–	–	–

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 RM	2006 RM
Unabsorbed capital allowances	2,217,868	1,551,369
Unutilised tax losses	273,932	56,948
	2,491,800	1,608,317

The unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold land RM	Buildings RM	Motor vehicles RM	Computers RM	Furniture, fittings, office equipment and renovation RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2006, as previously stated	442,000	688,000	690,088	4,026,892	3,798,122	92,620	9,737,722
Effect of adoption of FRS 117 (Note 25)	(442,000)	–	–	–	–	–	(442,000)
At 1 January 2006, restated	–	688,000	690,088	4,026,892	3,798,122	92,620	9,295,722
Additions	–	–	7,400	248,047	436,738	1,192,660	1,884,845
Write-off	–	–	–	–	(2,609)	–	(2,609)
At 31 December 2006/ 1 January 2007	–	688,000	697,488	4,274,939	4,232,251	1,285,280	11,177,958
Additions	–	–	108,672	378,488	3,316,372	–	3,803,532
Write-off	–	–	–	(2,327,926)	(791,388)	–	(3,119,314)
Re-classification	–	–	–	–	1,285,280	(1,285,280)	–
At 31 December 2007	–	688,000	806,160	2,325,501	8,042,515	–	11,862,176
Accumulated depreciation							
At 1 January 2006	–	107,165	485,831	3,067,924	2,629,994	–	6,290,914
Additions	–	13,750	62,649	615,492	524,270	–	1,216,161
Write-off	–	–	–	–	(2,577)	–	(2,577)
At 31 December 2006/ 1 January 2007	–	120,915	548,480	3,683,416	3,151,687	–	7,504,498
Additions	–	13,750	78,416	434,233	810,526	–	1,336,925
Write-off	–	–	–	(2,325,169)	(784,672)	–	(3,109,841)
At 31 December 2007	–	134,665	626,896	1,792,480	3,177,541	–	5,731,582
Carrying amount							
At 1 January 2006	–	580,835	204,257	958,968	1,168,128	92,620	3,004,808
At 31 December 2006/ 1 January 2007	–	567,085	149,008	591,523	1,080,564	1,285,280	3,673,460
At 31 December 2007	–	553,335	179,264	533,021	4,864,974	–	6,130,594

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use, with an aggregate cost of RM2,422,408 (2006: RM4,533,044).

9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Authority	Long term leasehold land RM	Buildings RM	Motor vehicles RM	Computers RM	Furniture, fittings, office equipment and renovation RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2006, as previously stated	442,000	688,000	690,088	4,026,892	2,491,842	92,620	8,431,442
Effect of adoption of FRS 117 (Note 25)	(442,000)	–	–	–	–	–	(442,000)
At 1 January 2006, restated	–	688,000	690,088	4,026,892	2,491,842	92,620	7,989,442
Additions	–	–	7,400	248,047	345,687	1,192,660	1,793,794
At 31 December 2006	–	688,000	697,488	4,274,939	2,837,529	1,285,280	9,783,236
Additions	–	–	32,287	378,488	866,052	–	1,276,827
Disposal/Write-off	–	–	–	(2,327,926)	(233,660)	–	(2,561,586)
Re-classification	–	–	–	–	1,285,280	(1,285,280)	–
At 31 December 2007	–	688,000	729,775	2,325,501	4,755,201	–	8,498,477
Accumulated depreciation							
At 1 January 2006	–	107,165	485,831	3,067,924	1,447,657	–	5,108,577
Additions	–	13,750	62,649	615,492	468,480	–	1,160,371
At 31 December 2006/ 1 January 2007	–	120,915	548,480	3,683,416	1,916,137	–	6,268,948
Additions	–	13,750	65,716	434,233	599,014	–	1,112,713
Write-off	–	–	–	(2,325,169)	(233,248)	–	(2,558,417)
At 31 December 2007	–	134,665	614,196	1,792,480	2,281,903	–	4,823,244
Carrying amount							
At 1 January 2006	–	580,835	204,257	958,968	1,044,185	92,620	2,880,865
At 31 December 2006/ 1 January 2007	–	567,085	149,008	591,523	921,392	1,285,280	3,514,288
At 31 December 2007	–	553,335	115,579	533,021	2,473,298	–	3,675,233

Included in property, plant and equipment of the Authority are fully-depreciated property, plant and equipment which are still in use, with an aggregate cost of RM1,977,805 (2006: RM3,505,747).

10. INVESTMENT IN SUBSIDIARY COMPANIES

	Authority	
	2007 RM	2006 RM
Unquoted shares, at cost	1	1

The subsidiary companies, all incorporated in Malaysia, are as follows:

Name of Company	Effective Percentage of Ownership		Principal Activities
	2007 %	2006 %	
LOFSA Incorporated Sdn Bhd	100	100	Investment holding
Subsidiary company of LOFSA Incorporated Sdn Bhd			
Pristine Era Sdn Bhd	100	100	Provision of educational services

In 2003, the Authority acquired the entire equity interest in Pristine Era Sdn Bhd, (a company which manages the Labuan International School) through LOFSA Incorporated Sdn Bhd for a cash consideration of RM1 and undertakes to provide financial support to the said subsidiary company.

11. OTHER RECEIVABLES

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Other receivables:				
Staff housing loans	1,226,941	422,919	1,226,941	422,919
Staff vehicle loans	137,970	183,616	137,970	183,616
Staff advances/Sundry debtors	123,162	102,903	123,162	102,903
Refundable deposits	258,740	198,121	226,021	198,121
Interest receivable	1,150,409	989,906	1,150,409	989,906
Prepaid expenses	489,763	51,291	486,612	50,682
Others	19,974	50,324	–	–
	3,406,959	1,999,080	3,351,115	1,948,147
Less: Allowance for doubtful staff loans	(186,594)	–	(186,594)	–
	3,220,365	1,999,080	3,164,521	1,948,147
Non-current				
Other receivables:				
Staff housing loans	7,097,232	7,442,651	7,097,232	7,442,651
Staff vehicle loans	323,696	355,185	323,696	355,185
	7,420,928	7,797,836	7,420,928	7,797,836

Staff loans

Staff housing and vehicle loans are repayable over a maximum period of 25 years and 7 years respectively. The interest charged on these loans ranges from 2% to 4% (2006: 2% to 4%) per annum.

12. PREPAID LEASE PAYMENT

	Unexpired period of more than 50 years
Group and the Authority	RM
Cost	
At 1 January 2006	–
Effect of adopting FRS 117	442,000
At 1 January 2006, as restated	442,000
At 31 December 2006/ 1 January 2007/31 December 2007	442,000
Amortisation	
At 1 January 2006	–
Effect of adopting FRS 117	3,628
At 1 January 2006, as restated	3,628
Amortisation for the year	518
At 31 December 2006/1 January 2007	4,146
Amortisation for the year	518
At 31 December 2007	4,664
Carrying amount	
At 1 January 2006	438,372
At 31 December 2006/1 January 2007	437,854
At 31 December 2007	437,336

13. FEES RECEIVABLE

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Fees receivable	3,691,128	1,521,378	3,603,350	1,489,993
Fee income-in-suspense	(1,819,770)	(589,643)	(1,819,770)	(589,643)
	1,871,358	931,735	1,783,580	900,350

14. CASH AND CASH EQUIVALENTS

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Fixed deposits with licensed banks	37,022,354	40,393,101	37,022,354	39,393,101
Money at call with licensed banks	910,000	1,358,000	910,000	1,358,000
Cash on hand and at banks	1,873,391	1,247,637	1,520,099	620,849
	39,805,745	42,998,738	39,452,453	41,371,950

The average effective interest rates are as follows:

	Group		Authority	
	2007 % p.a.	2006 % p.a.	2007 % p.a.	2006 % p.a.
Fixed deposits	4.0	3.5	4.0	3.5
Money at call	2.7	2.3	2.7	2.3

The deposits have an average maturity of 30 days to 1 year (2006: 30 days to 1 year).

15. EMPLOYEE BENEFITS

Movements in the liability for other long term employee benefits:

	Group and the Authority	
	2007 RM	2006 RM
At 1 January	201,214	156,673
Settled during the year	(6,330)	–
Recognised in income statement	73,116	44,541
At 31 December	268,000	201,214

The liability for other long term employee benefits is in respect of staff entitlement to set aside unutilised annual leave for the purpose of conversion into cash at the time of retirement.

16. GOVERNMENT LOANS

Government loans represent the balance of RM3 million out of a RM6 million loan and a RM10 million loan obtained in 1996 and 2000 respectively from Bank Negara Malaysia. The loans are unsecured and interest-free. The balance of the first loan and the second loan are repayable in the year 2010 or such other period as may be mutually agreed by the parties.

17. DEFERRED INCOME

During the year, the Authority received a government grant of RM10.123 million (2006: RM16 million) from the Ministry of Finance for the purpose of projects to be undertaken by the Authority under the Ninth Malaysia Plan. The grant forms part of the total allocation of RM80 million for the duration of the Ninth Malaysia Plan from 2006 to 2010.

The government grant received is recognised in the income statement on the basis of the expenses incurred, or on a systematic basis over the useful lives of assets relating to projects undertaken by the Group under the Ninth Malaysia Plan.

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Deferred income at 1 January	12,253,543	–	11,253,543	–
Government grant received	10,123,000	16,000,000	10,123,000	16,000,000
Amount recognised in income statement	(9,840,422)	(3,746,457)	(11,446,419)	(4,746,457)
Deferred income at 31 December	12,536,121	12,253,543	9,930,124	11,253,543

18. FEES RECEIVED IN ADVANCE

Group and the Authority

Fees received in advance comprise annual and licence fees paid in advance by offshore banks, insurance companies and other offshore entities.

19. REFUNDABLE DEPOSITS

Group and the Authority

Refundable deposits represent security deposits paid by trust companies in accordance with the provisions of the Labuan Trust Companies Act, 1990 and other security deposits.

	Group and the Authority	
	2007 RM	2006 RM
Trust companies security deposits	1,200,000	1,200,000
Management company security deposits	–	50,000
	1,200,000	1,250,000

20. OTHER PAYABLES AND ACCRUALS

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Other payables	3,478,868	5,271,530	2,482,012	4,202,239
Accruals	355,961	148,363	354,061	146,463
	3,834,829	5,419,893	2,836,073	4,348,702

Other payables comprise amounts outstanding for ongoing costs. The amounts owing are interest-free and have no fixed terms of repayment.

21. FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial Risk Management Objectives and Policies

The operations of the Group and the Authority are subject to a variety of financial risks, including credit risk, liquidity risk and cash flow risk. The Authority has agreed to formulate a financial risk management framework with the principal objective to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Authority for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

21. FINANCIAL INSTRUMENTS (Cont'd)

Credit risk

The financial instruments which potentially subject the Group to credit risk are fee receivables. Concentration of credit risk with respect to fee receivables is limited due to a large number of offshore companies in various industries. The Authority is of the opinion that the risk of incurring material losses in excess of the fee income-in-suspense at year end related to this credit risk is remote.

Liquidity risk

The Authority practises liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Cash flow risk

The Authority reviews its cash flow position regularly to manage the Group's exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial assets

The Group's principal financial assets are fixed deposits, money at call, cash on hand and at banks and fee and other receivables.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities include refundable deposits, other payables and interest-free government loans.

Government loans are recorded at the proceeds received.

There were no equity instruments as of the financial year-end.

Fair Values

Cash and cash equivalents, fee and other receivables and refundable deposits and other payable

The carrying amounts of these financial instruments approximate their fair values because of the short maturity period for these instruments.

Government loans

The Authority considers that the carrying amounts of government loans approximate their fair values.

22. CAPITAL COMMITMENTS

As of 31 December 2007, the Group and the Authority had the following capital commitments in respect of property, plant and equipment:

	Group and the Authority	
	2007 RM	2006 RM
Approved and contracted for	190,391	390,000
Approved but not contracted for	–	–
	190,391	390,000

23. OPERATING LEASE

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	Group and the Authority	
	2007 RM	2006 RM
Less than one year	76,450	72,000
Between one and five years	79,300	133,500
	155,750	205,500

The Group leases a number of office equipment under operating leases. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

24. CONTINGENT LIABILITIES

As disclosed in Note 10 to the financial statements, the Authority undertakes to provide financial supports to its subsidiary company, Pristine Era Sdn Bhd.

25. CHANGES IN ACCOUNTING POLICIES

In the current financial year, the Group and the Authority adopted FRS 117, *Leases* which has been applied retrospectively. The adoption of FRS 117 has resulted in the reclassification of prepaid lease payment from finance lease within its property, plant and equipment to operating lease, and the recognition of the amortisation of prepaid lease payment which was not recognised previously.

The change in accounting policy, applied retrospectively, has the following impact on the results:

	Group		Authority	
	2007 RM	2006 RM	2007 RM	2006 RM
Net surplus before change in accounting policy	2,240,493	2,061,599	2,690,058	2,033,089
Effect of adopting FRS 117	(518)	(518)	(518)	(518)
Net surplus for the year	2,239,975	2,061,081	2,689,540	2,032,571

The change in accounting policy due to the adoption of FRS 117 has been accounted for by restating comparatives and adjusting the opening balance of accumulated surplus at 1 January 2007 as disclosed in Note 26 and the statement of changes in reserves respectively.

26. COMPARATIVE FIGURES

(i) Adoption of FRS 117, *Leases*

The following comparative figures have been restated as a result of the adoption of FRS 117, *Leases* as stated in Note 25:

	Authority	
	As restated RM	As previously stated RM
Balance Sheet:		
Non-current assets		
Property, plant and equipment	3,514,288	3,956,288
Prepaid lease payment	437,854	–
Reserves:		
Accumulated surplus	24,940,769	24,944,915

26. COMPARATIVE FIGURES (Cont'd)**(i) Adoption of FRS 117, Leases (Cont'd)**

	Authority	
	As restated RM	As previously stated RM
Income Statement:		
Other operating expenses	13,760,469	13,759,951
Surplus from operations	799,793	800,311
Surplus before tax/Net surplus for the year	2,032,571	2,033,089
Cash Flow Statement:		
Cash flow from operating activities		
Adjustment for:		
Amortisation of prepaid lease payment	518	-

(ii) Consolidated financial statements

This is the first time consolidated financial statements are presented by the Group following the compulsory adoption of FRSs by federal statutory bodies with effect from the 2007 financial year pursuant to the Ministry of Finance's Treasury Circular (No. 4) 2007, *Guidelines for Preparation and Presentation of Annual Reports and Financial Statements of Federal Statutory Bodies* dated 27 February 2007. The comparative figures for the year ended 31 December 2006 and as at that date are also presented accordingly.

27. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Authority if the Group or the Authority has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Authority and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the members of the Authority and members of senior management of the Group.

27. RELATED PARTIES (Cont'd)

Related party balances and transactions

Significant related party balances at year end are as follows:

	Group and the Authority	
	2007 RM	2006 RM
Key management personnel		
- Staff housing loans	1,339,838	1,188,918
- Staff vehicle loans	40,952	68,310
- Personal loans	7,222	5,694
	1,388,012	1,262,922

Significant related party transactions of the Group and of the Authority are disclosed in Note 5.

Appendices

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Significant Events Undertaken by LOFSA in 2007

17 January

Visit by the High Commissioner of Papua New Guinea.

22 - 23 January

Participation in the Islamic Financial Standards Board Seminar entitled “Challenges and Opportunities for Japan” held in Tokyo, Japan.

6 - 7 March

Participated in the exhibition held in conjunction with Malaysian Industrial Development Authority (MIDA)/Small and Medium Industries Development Corporation (SMIDEC) Domestic Seminar in Kuala Lumpur.

22 - 23 March

Presented a paper on “Offshore Trust and the Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) Regime in Malaysia” at the 4th Annual Asia Pacific Trust & Offshore Seminar in Singapore.

26 - 29 March

Presented on the topic “Creating Effective and Efficient Regulatory Framework (Islamic Capital Market)” at the Global Islamic Finance Forum 2007 in Kuala Lumpur.

16 April

Presented a paper at the University of Queensland Employment Seminar organised by the University of Queensland Malaysian Alumni.

19 - 20 April

Collaborated with Bank Negara Malaysia to promote the Malaysia International Islamic Financial Centre in Beijing, China.

23 - 24 April

Participated in MIDA/SMIDEC Domestic Seminar and Exhibition in Johor.

7 - 11 May

Participated in MIDA’s Trade and Investment Mission to Kaoshiung and Taipei, Taiwan, to promote Labuan IBFC.

15 May

Visit by the Director-General of Marine Department of Malaysia to discuss on a strategic alliance in promoting the Malaysian International Shipping Registry based in Labuan.

15 - 16 May

Participation in the 4th IFSB Summit Meeting in Dubai, United Arab Emirates.

24 - 31 May

Participated in Malaysia External Trade Development Corporation's (MATRADE) Trade and Investment Mission to Shanghai, Beijing and Guangzhou in China.

4 - 5 June

Presented a paper at MIDA/SMIDEC Northern Domestic Seminar in Kedah.

9 - 12 June

Hosted in Labuan the Meeting of the Statutory Bodies. The meeting was chaired by the Chief Secretary to the Government.

18 June

Organised the Malaysia-Indonesia Investment and Finance Summit 2007 in Jakarta, Indonesia.

19 June

Cooperated with Bank Indonesia in organising the Sukuk Workshop in Jakarta.

15 - 24 July

Participated in MIDA's Trade and Investment Mission to Hong Kong.

24 - 27 July

Participation in the 10th Asia/Pacific Group on Anti-Money Laundering Annual Meeting in Perth, Australia.

31 July

Launching of the primary listing of the USD1.0 Billion Sukuk Al-Ijarah issued by Saudi Arabia-based Dar Al-Arkan on the Labuan International Financial Exchange.

Significant Events Undertaken by LOFSA in 2007

29 July - 4 August

Participated in MIDA's Trade and Investment Mission to Sydney, Brisbane and Perth in Australia.

1 August

Visit by the Governor of Aceh.

28 August

Organised the "Forum on Investment Opportunities Through Labuan IBFC" in Singapore.

10 - 12 September

Participated in the Forbes Global CEO Conference in Singapore.

29 - 31 October

- Participated in the exhibition held in conjunction with the 23rd Pacific Insurance Conference in Kuala Lumpur.
 - Organised a seminar in London together with Lloyd's of London.
 - Participated in the Offshore Group of Banking Supervisors Meeting in Macau.
-

30 October - 4 November

Participated in the Malaysia Financial Exhibition (MyFex2007) organised by the Malaysia Deposit Insurance Corporation.

31 October - 2 November

Promotional activities at the Asia Offshore Association Conference in Ho Chi Minh City, Vietnam.

6 - 7 November

Organised "Captive Insurance Seminar" in Tokyo, Japan.

10 November

LOFSA Run 2007.

12 - 13 November

- Organised a seminar on “AML/CFT: Recent Developments in Malaysia”.
 - Promoted Labuan IBFC at the National Accountants Conference 2007 in Kuala Lumpur.
-

14 - 15 November

LOFSA organised a workshop on “The Emerging Islamic Finance Horizon” in collaboration with the International Centre for Education in Islamic Finance.

16 November

- Organised the Labuan International Islamic Finance Lecture Series II on “The Role and Contribution of Islamic Finance in Building the Embedded Capital of the OIC World”.
 - Hosted the Offshore Industry Annual Dinner 2007 in Labuan for offshore financial institutions.
-

29 November

Organised the “Forum on Investment Opportunities Through Labuan IBFC” in Hong Kong.

1 December

Organised the “Seminar on Global Capital Through Labuan IBFC” in Weihai City, Shandong, China.

11 - 12 December

Organised the “Forum on Investment Opportunities Through Labuan IBFC” specially for accountants, lawyers and company secretaries in Kuala Lumpur.

19 December

Organised the “Seminar on Labuan – Asia’s Preferred International Offshore Financial Centre” in Taipei, Taiwan, in collaboration with Portcullis Trustnet (Labuan) Limited and the Taiwan Academy Banking and Finance.

Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

Offshore Banks (Country of Origin)

- 1 ABN AMRO Bank N.V., Labuan Branch (Netherlands)**
Tel: 087-423008 Fax: 087-421078
E-mail: alan.sing.lee@my.abnamro.com
Mr Lee Sing
- 2 Affin Bank Berhad, Labuan Branch (Malaysia)**
Tel: 087-411931 Fax: 087-411973
E-mail: head.treasury@affinbank.com.my
Mr Tan Kok Toon
- 3 AmInternational (L) Ltd (Malaysia)**
Tel: 087-413133 Fax: 087-425211
E-mail: paul-ong@ambg.com.my
Mr Paul Ong Whee Sen
- 4 AmInvestment Bank Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-413133 Fax: 087-425211
E-mail: paul-ong@ambg.com.my
Mr Paul Ong Whee Sen
- 5 Bank Islam Malaysia Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-451802 Fax: 087-451800
E-mail: engkuafandi@bankislam.com.my
Mr Engku Afandi Engku Taib
- 6 Bank Muamalat Malaysia Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-412898 Fax: 087-451164
- 7 Bank of America National Association, Labuan Branch (United States of America)**
Tel: 087-411778 Fax: 087-424778
E-mail: yue_daniel-tc@bankofamerica.com
Mr Daniel Yue Tuck Cheong
- 8 Barclays Bank Plc, Labuan Branch (United Kingdom)**
Tel: 087-425571 Fax: 087-425575
E-mail: siawloong.miaw@barcap.com
Mr Miaw Siaw Loong
- 9 BNP Paribas, Labuan Branch (France)**
Tel: 087-422328 Fax: 087-419328
E-mail: krishna.chetti@asia.bnpparibas.com
Mr Krishna Chetti
- 10 Calyon, Labuan Branch (France)**
Tel: 087-408334 Fax: 087-408335
E-mail: N/A
Mr Tan Boon Eong
- 11 Cathay United Bank, Labuan Branch (Taiwan)**
Tel: 087-452168 Fax: 087-453678
E-mail: wilsonweichih@cathaybk.com.tw
Mr Chen, Wei-Chih
- 12 CIMB Bank (L) Limited (Malaysia)**
Tel: 087-410302 Fax: 087-410313
E-mail: rositah@bcblab.po.my
Ms Rositah Mariam Sulaiman
- 13 CIMB (L) Limited (Malaysia)**
Tel: 087-451608 Fax: 087-451610
- 14 Citibank Malaysia (L) Limited (United States of America)**
Tel: 087-421181 Fax: 087-419671
E-mail: clara.ac.lim@citigroup.com
Ms Clara Lim Ai Cheng

- 15 Credit Suisse, Labuan Branch
(Switzerland)**
Tel: 087-425381 Fax: 087-425384
E-mail: alfred.lee@credit_suisse.com
Mr Lee Chee Meng
- 16 DBS Bank Ltd, Labuan Branch
(Singapore)**
Tel: 087-495500 Fax: 087-423376
E-mail: jefferyling@db.com
Mr Jeffrey Ling Hee Keong
- 17 Deutsche Bank AG, Labuan Branch
(Germany)**
Tel: 087-439811 Fax: 087-439866
E-mail: raymond.yeoh@db.com
Mr Raymond Yeoh Cheng Seong
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(Germany)**
Tel: 087-419271 Fax: 087-419272
E-mail: chris.mersey@dkib.com
Mr Christopher David Mersey
- 19 ING Bank N.V., Labuan Branch
(Netherlands)**
Tel: 087-425733 Fax: 087-425734
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Ms Milly Tan
- 20 JP Morgan Chase Bank N.A
(United States of America)**
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Mr Ishammudin Mansor
- 22 KBC Bank N.V., Labuan Branch
(Belgium)**
Tel: 087-581778 Fax: 087-583787
E-mail: kokchee.kong@kbc.be
Mr Kong Kok Chee
- 23 Kuwait Finance House (Labuan) Berhad
(Malaysia)**
Tel: 087-418777 Fax: 087-418666
E-mail: nawaf@kfh.com.my
Mr Nawaf Almenayekh
- 24 Lloyds TSB Bank Plc, Labuan Branch
(United Kingdom)**
Tel: 087-418918 Fax: 087-411928
E-mail: labuan@lloydstsb.com.my
Mr Barry Francis Lea
- 25 Macquarie Bank Limited, Labuan Branch
(Australia)**
Tel: 087-583080 Fax: 087-583088
E-mail: gordon.kuik@macquarie.com
Mr Gordon Kuik Teck Wee
- 26 Maybank International (L) Ltd
(Malaysia)**
Tel: 087-414406 Fax: 087-414806
E-mail: punjau@maybank-intl.com
Mr Punjau Sepoi
- 27 Mega International Commercial Bank Co., Ltd,
Labuan Branch
(Taiwan)**
Tel: 087-581688 Fax: 087-581668
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Mr Tai Chih-Hsien

Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

**28 Mizuho Corporate Bank Ltd, Labuan Branch
(Japan)**

Tel: 087-417766 Fax: 087-419766
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Mr Kazumasa Domen

**29 Natixis, Labuan Branch
(France)**

Tel: 087-581009 Fax: 087-583009
E-mail: rizal.abdullah@at.nhbp.com
Mr Rizal Abdullah

**30 Oversea-Chinese Banking Corporation Limited,
Labuan Branch
(Singapore)**

Tel: 087-423381 Fax: 087-423390
E-mail: cbkwan@ocbc.com
Mr Daniel Kwan Chieu Bock

**31 Public Bank (L) Ltd
(Malaysia)**

Tel: 087-411898 Fax: 087-413220
E-mail: pb11@streamyx.com
Mr Alexander Wong

**32 Rabobank Nederland, Labuan Branch
(Netherlands)**

Tel: 087-451128 Fax: 087-452328
E-mail: clement.wong@rabobank.com
Mr Clement Wong

**33 RHB Bank (L) Ltd
(Malaysia)**

Tel: 087-417480 Fax: 087-417484
E-mail: rhbl@streamyx.com
Ms Toh Ay Leng

**34 Schroders Malaysia (L) Berhad
(United Kingdom)**

Tel: 087-421181 Fax: 087-419671
E-mail: clara.ac.lim@citigroup.com
Ms Clara Lim Ai Cheng

**35 Societe Generale, Labuan Branch
(France)**

Tel: 087-421676 Fax: 087-421669
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Mr Ibrahim Nasir

**36 Standard Chartered Bank Offshore, Labuan Branch
(United Kingdom)**

Tel: 087-417200 Fax: 087-417202
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Mr Edward Ng Chin Swee

**37 Sumitomo Mitsui Banking Corporation
(Japan)**

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Mr Junichi Ikeno

**38 The Bank of East Asia, Limited, Labuan Branch
(Hong Kong)**

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Mr Alvin Gerard Arrais

**39 The Bank of Nova Scotia, Labuan Branch
(Canada)**

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Mr Abdul Azib bin Mamat

**40 The Bank of Tokyo-Mitsubishi UFJ, Ltd,
Labuan Branch
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Mr Fumikazu Ono

**41 The Hongkong and Shanghai Banking Corporation Limited,
Offshore Banking Unit Labuan
(United Kingdom)**

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Mr Chew Hoi Meng

42 The Royal Bank of Scotland, Plc, Labuan Branch (Scotland)

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Mr Mohd Rashid Mohamad

43 UBS AG, Labuan Branch (Switzerland)

Tel: 087-421743 Fax: 087-421746
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Ms Zelig Ho Swee Lum

44 United Overseas Bank Limited, Labuan Branch (Singapore)

Tel: 087-424388 Fax: 087-424389
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Ms Angie Ng

Offshore Investment Banks (Country of Origin)

1 Al-Hidayah Investment Bank (Labuan) Ltd (Malaysia)

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Mr Ismail Mustaffa

2 AmanahRaya Investment Bank Ltd (Malaysia)

Tel: 087-582011 Fax: 087-582013
E-mail: haszeri@arinvestmentbank.com
Mr Haszeri Hussin

3 Capital Investment Bank (Labuan) Ltd (Malaysia)

Tel: 087-581488 Fax: 087-583488
E-mail: cibl@streamyx.com.my
Mr Louise Paul A/L Joseph Paul

4 City Credit Investment Bank Limited (Hong Kong)

Tel: 087-582268 Fax: 087-581268
E-mail: admin@cccapi.net
Dato' Abdul Rahman Abdullah

5 ECM Libra Investment Bank Limited (Malaysia)

Tel: 087-408525 Fax: 087-408527
E-mail: yslau@ecmlibra.com
Mr Lau Yew Sun

6 Goldman Sachs (Labuan) Investment Bank Limited (United States of America)

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Ms Jane Maund

7 Morgan Stanley Labuan Investment Bank Limited (Singapore)

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Ms Kate G Richdale

8 OSK Investment Bank (Labuan) Limited (Malaysia)

Tel: 087-581885 Fax: 087-582885
E-mail: oskib@tm.net.my
Mr Yeoh Kok Hoe

9 RUSD Investment Bank Inc (Saudi Arabia)

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Mr Naseeruddin A Khan

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As at 29 February 2008

Reinsurers (Country of Origin)

1 ACE Tempest Reinsurance Ltd (Bermuda)

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Mr Gerard Mario Sitaramayya

2 Allianz SE General Reinsurance Branch Labuan (Germany)

Tel: 087-442899 Fax: 087-451899
E-mail: Ronnie.Cheah@allianzre.com.sg
Mr Ronnie Cheah

3 Allianz SE Life Reinsurance Branch Labuan (Germany)

Tel: 087-442899 Fax: 087-451899
E-mail: Duncan.Lord@allianzre.com.sg
Mr Duncan Lord

4 Arab Insurance Group (B.S.C) Labuan Branch (Bahrain)

Tel: 087-442899 Fax: 087-451899
E-mail: lee.w@arig.com.sg
Mr Lee Yew Wing

5 B.E.S.T. Reinsurance – Far East Regional Office (Tunisia)

Tel: 087-451600 Fax: 087-452600
E-mail: rkarray@bestre.com.my
Mr Riadh Karray

6 B.E.S.T. Reinsurance, Family Retakaful Office (Tunisia)

Tel: 087-421900 Fax: 087-426900
E-mail: rkarray@bestre-family.com.my
Mr Riadh Karray

7 C.C.R., Labuan Branch (France)

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Mr Alain Tertzakian

8 China International Reinsurance Company Limited, Labuan Branch (Hong Kong)

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Mr Kenneth Ng Yu Lam

9 Cologne Reinsurance Company Plc (Germany)

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Mr Andres Webersinke

10 IAG Re Labuan (L) Berhad (Australia)

Tel: 087-442899 Fax: 087-451899
E-mail: stuart.anderson@iag.com.au
Mr Stuart William Anderson

11 International General Insurance Company Ltd, Labuan Branch (Jordan)

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E-mail: wsj@iginsure.com
Mr Wasef S Jabsheh

12 Jerneh Asia Reinsurance Limited (Malaysia)

Tel: 087-427818 Fax: 087-426818
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Mr Tan Yoke Leong

13 Kuwait Reinsurance Company - Far East Regional Office (Kuwait)

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Mr Ahmad Zabidi Ismail

14 Labuan Reinsurance (L) Ltd (Malaysia)

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Mr Majid Mohamad

- 15 Mitsui Sumitomo Insurance Co. Ltd (Japan)**
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Mr Takao Yasukochi
- 16 Mitsui Sumitomo Reinsurance Limited (Ireland)**
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Mr Takashi Tsuchiya
- 17 Paris Re Asia Pte. Ltd. (Labuan Branch) (formerly known as AXA Re Asia Pacific Pte Ltd (Labuan Branch)) (France)**
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Mr Daniel Lim Teck Choon
- 18 Partner Reinsurance Company Ltd (Bermuda)**
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Mr Emil Bergundthal
- 19 SCOR Reinsurance Asia-Pacific Pte Ltd, Labuan Branch (France)**
Tel: 087-417672 Fax: 087-417675
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Mr Teo Lai Kim
- 20 SCOR Switzerland Ltd, Regional Reinsurance Branch Office (formerly known as Converium Ltd, Regional Reinsurance Branch Office) (Switzerland)**
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Mr Din Merican
- 21 Singapore Reinsurance Corporation Limited (Singapore)**
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Mr Mervyn Low Cheng Chwee
- 22 Sirius International Insurance Corporation (publ), Labuan Branch (Sweden)**
Tel: 087-417672 Fax: 087-417675
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Mr Yap Song Kng
- 23 Sompo Japan Insurance Inc. Labuan Branch (Japan)**
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Mr Yasuhiro Funai
- 24 Takaful Re Limited, Labuan Branch (Dubai)**
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Mr Mohammed Chakib Abouzaid
- 25 Tokio Marine Global Re Limited (Ireland)**
Tel: 087-583001 Fax: 087-583002
E-mail: keith.maruyama@tmgre.com
Mr Keiichi Maruyama
- 26 Trust International Insurance Company B.S.C. (c), Labuan Branch (Bahrain)**
Tel: 087-442899 Fax: 087-451899
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Mr Nabil Kotran

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As at 29 February 2008

27 Virginia Surety Company, Labuan Branch (United States of America)

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Mr Viswanath C Kandasamy

28 XL Re Ltd Labuan (Bermuda)

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Ms Chua Lee Li

6 PT. Asuransi Jasa Indonesia, Labuan Branch (Indonesia)

Tel: 087-417672 Fax: 087-417675
E-mail: erwin.noekman@jasindonet.com
Mr Erwin Hanapi Noekman

7 Swiss National Insurance Company (Labuan Branch) Ltd (Switzerland)

Tel: 087-417672 Fax: 087-417675
Email: pekchoo@streamyx.com
Ms Cheah Pek Choo

General Insurers (Country of Origin)

1 ASEAN Retakaful International (L) Ltd (Malaysia)

Tel: 087-451301 Fax: 087-451300
E-mail: izzuddin_tajudin@aseanretakaful.com
Mr Izzuddin bin Tajudin

2 Etiqa Offshore Insurance (L) Ltd (formerly known as MNI Offshore Insurance (L) Ltd) (Malaysia)

Tel: 087-417672 Fax: 087-417675
E-mail: farouk.a@etiqa.com.my
Dato' Aminuddin Md Desa

3 Federal Insurance Company, Labuan Branch (United States of America)

Tel: 087-417672 Fax: 087-417675
E-mail: mdelrosso@chubb.com
Mr Mario Del Rosso

4 HIH Casualty and General Insurance (Labuan) Limited (Australia)

Tel: 087-451318 Fax: 087-451618

5 MAA International Assurance Ltd (Malaysia)

Tel: 087-422007 Fax: 087-422008
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Mr Goh Ah Hong

Life Insurers (Country of Origin)

1 Etiqa Life International (Labuan) Ltd (formerly known as Mayban Life International (Labuan) Limited) (Malaysia)

Tel: 087-582588 Fax: 087-583588
E-mail: farouk.a@etiqa.com.my
Dato' Aminuddin Md Desa

Captives (Country of Origin)

1 AKT Co., Ltd (formerly known as AKT Reinsurance Company Ltd.) (Japan)

Tel: 087-427018 Fax: 087-429018
E-mail: t_miyake@fournine.co.jp
Mr Takaharu Miyake

2 Asian Forum Inc (Malaysia/Philippines/Indonesia)

Tel: 087-417672 Fax: 087-417675
E-mail: nmjuan@gsis.gov.ph
Mr Noel Manuel Juan

3 APS Risk Management Sdn Bhd (Japan)

Tel: 087-427018 Fax: 087-429018
E-mail: N/A
Mr Yoichiro Hirose

- 4 AWCK International Insurance Company Limited (Hong Kong)**
Tel: 087-427018 Fax: 087-429018
E-mail: elaine@reestaylorhk.com
Ms Chow Yiu Ming
- 5 BGC Insurance (L) Limited (Australia)**
Tel: 087-417672 Fax: 087-417675
E-mail: srobertson@bgcinsurance.com
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- 6 BIB Asia (L) Berhad (Malaysia)**
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Mr Chou Sean Chong
- 7 Blakford Insurance Ltd. (Malaysia)**
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Dato' Henry Lau Lee Kong
- 8 Central Assurance Limited (Malaysia/Australia)**
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Mr Raymond Wong Wai Bun
- 9 Energas Insurance (L) Limited (Malaysia)**
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E-mail: raziya@petronas.com.my
Ms Raziyah Yahya
- 10 GAP Cover Insurance Inc (Malaysia/Australia)**
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E-mail: management@ectrust.com.my
Mr Peter Kent Searle
- 11 Genting (Labuan) Limited (Malaysia)**
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E-mail: gbinfo@genting.com.my
Mr Quah Chek Tin
- 12 Genting Risk Management (Labuan) Limited (Malaysia)**
Tel: 087-427018 Fax: 087-429018
E-mail: gbinfo@genting.com.my
Mr Quah Chek Tin
- 13 GHR Risk Management (Labuan) Limited (Malaysia)**
Tel: 087-427018 Fax: 087-429018
E-mail: gbinfo@genting.com.my
Mr Quah Chek Tin
- 14 Gulf Atlantic and Pacific Insurance Company Ltd. (United States of America)**
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E-mail: johnnyklo5@sbcglobal.net
Mr John Joseph Houry
- 15 IRM Limited (Malaysia)**
Tel: 087-442899 Fax: 087-451899
E-mail: raymond.wong@asia.equitytrust.com
Mr Raymond Wong Wai Bun
- 16 KLK Assurance (Labuan) Limited (Malaysia)**
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Mr Tham Chee Phing
- 17 MED RE Sdn. Bhd. (Japan)**
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Mr Tatsuo Kanaji

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Mr Wang Wing Ying

**19 New World Insurance Company (L) Limited
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**20 Nichiryō (Malaysia) Sdn Bhd
(Japan)**

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**21 NWS International Insurance Limited
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Mr Wong Hei

**22 Pacific Insurance (L) Ltd
(Indonesia)**

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**23 Paragon Insurance Company Limited
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**24 R H Insurance Ltd
(Malaysia)**

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Mr Tiong Chiong Ong

**25 Risk Retention Partners Limited
(Malaysia)**

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Mr Raymond Wong Wai Bun

**26 Sime Darby Insurance Pte Ltd
(Malaysia)**

Tel: 087-417672 Fax: 087-417675
E-mail: martingm@simedarby.com
Mr Martin Giles Manen

**27 Something Re. Co., Ltd
(Japan)**

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Mr Atsushi Kasahara

**28 The Four Nine Asia Sdn Bhd
(Japan)**

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Mr Takaharu Miyake

**29 The Mutual Assurance Co. Plc
(Malaysia)**

Tel: 087-442899 Fax: 087-451899
E-mail: raymond.wong@asia.equitytrust.com
Mr Raymond Wong Wai Bun

**30 Twenty-One Insurance Company (Labuan) Ltd
(Japan)**

Tel: 087-442899 Fax: 087-451899
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Mr Kenjiro Noda

**31 Warisan Captive Incorporated
(Malaysia)**

Tel: 087-427018 Fax: 087-429018
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Mr Ngu Ew Look

Insurance Brokers (Country of Origin)

1 Advisers Worldwide (Malaysia) Limited (Australia)

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Mr Clive Graham Macdonald

2 AFR Asia Pacific Limited (formerly known as PWS East Asia (L) Ltd.) (Singapore)

Tel: 087-442899 Fax: 087-451899
E-mail: aff@pws.com.my
Mr Ahmad Farouk Faizi Dato' Abd Karim

3 Agilentrisk Limited (formerly known as Agilent Reinsurance Brokers Limited) (Indonesia)

Tel: 087-427018 Fax: 087-429018
E-mail: ian.lim@agilentlimited.com
Ms Lily Soegiharti

4 Alexander Beard (Malaysia) Limited (United Kingdom)

Tel: 087-427018 Fax: 087-429018
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Ms Jacqueline Evans

5 Al Wasl Insurance Brokers Limited (United Arab Emirates)

Tel: 087-442899 Fax: 087-451899
E-mail: hassan@al-wasl.com
Mr Syed Hassan Mujtaba Kazmi

6 ArmenWoodBerg Incorporated (Sweden)

Tel: 087-417672 Fax: 087-417675
E-mail: lwood@armenwoodberg.com
Mr Armen Alex Babayan Fard

7 Arthur J. Gallagher Asia (L) Bhd (United States of America)

Tel: 087-417672 Fax: 087-417675
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Mr Gerard Roy Suresh Sharma

8 Asure Re Broker Pte Ltd (Korea)

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Mr Kang Sok Un

9 Benfield Malaysia Limited (United Kingdom)

Tel: 087-417672 Fax: 087-417675
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Ms Lim Phaik Har

10 BIB Asia (L) Berhad (Malaysia)

Tel: 087-427018 Fax: 087-429018
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Ms Mun Peck Yee

11 Citystate Risk Management (L) Bhd (Singapore)

Tel: 087-417672 Fax: 087-417675
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Mr Leow Tze Wen

12 ClubkeyOffshore Financial Services (Labuan) Ltd. (United Kingdom)

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E-mail: ron.buckley@ckosfareast.com
Mr Ronald Derek Buckley

13 Delphi International Insurance Broker Ltd (Sweden)

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Mr Hans Lennart Bjornered

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As at 29 February 2008

**14 EuroAsian Reinsurance Broker Corporation
(Russia)**

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Ms Fadeeva Irina Vjacheslavovna

**15 FEIC (Asia) Limited
(United Kingdom)**

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Mr Colin Richard Irwin

**16 Financial Partners Limited
(formerly known as Financial Partners International
Limited)
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Mr Eric Jack Jordan

**17 GAA Direct Limited
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**18 Global Strategies (L) Ltd.
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Dr Alan F King

**19 Guy Carpenter & Co Labuan Ltd
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**20 Haakon (Asia) Ltd
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Mr Paul Karl Ludwig Oeschger

**21 Heath Lambert Asia Pacific Ltd
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Mr Lee Jeffrey Warner

**22 Infinity Financial Solutions Ltd
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**23 Intelligent Investments Limited
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**24 Inter-Alliance International (South East Asia) Ltd
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Mr Robin Eric Deal

**25 Inter-Alliance International Corporate Benefits Ltd
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Mr Robin Eric Deal

**26 International Insurance Brokers Limited
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**27 J.B. Boda Insurance Services (L) Bhd.
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Ms Anuradha Umesh Nayak

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- 29 JLT Re Labuan Ltd
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Mr Chua Hua Tiew
- 30 K.M.Dastur & Company Private Limited
(India)**
Tel: 087-442899 Fax: 087-451899
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Mr Ashok Kumar Sharma
- 31 Mason LaRoche International Ltd
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- 33 Montpelier (Labuan) Ltd
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Mr Stuart Robert Williamson
- 34 Montpelier Nordic Ltd
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Mr Roger Eric Spetz
- 35 New World Risk Management (L) Limited
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Mr Wong Hei
- 36 Orion International Ltd
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Mr Steven Robert John Baker
- 37 Pacific World Reinsurance Brokers Limited
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- 38 Pana Management (L) Ltd
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- 40 Questor Capital (Labuan) Limited
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Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

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44 Willis Re Labuan Limited (Bermuda)

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4 Mitsui Sumitomo Reinsurance Limited (Ireland)

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5 New World Insurance Management (L) Limited (British Virgin Islands)

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Mr Wong Hei

6 Pacific World Insurance Managers Limited (Bermuda)

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Dato' Aminuddin Md Desa

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2 Brighton Management Limited (Malaysia)

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3 Catlin Labuan Limited (Bermuda)

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Ms Jocelyn Yeo

**6 Lloyd's Labuan Limited
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Mr Simon Wilson

**7 Marsh Management Services (L) Ltd.
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**8 Mitsui Sumitomo Reinsurance Limited
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**9 New World Insurance Management (L) Limited
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Mr Wong Hei

**10 Pacific World Insurance Managers Limited
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**11 Willis Management (Labuan) Pte Ltd
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(Bermuda)**

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Mr Raymond Wong Wai Bun

2 Amanah Raya (Labuan) Limited

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Mr Zainuddin Suhaimi

3 Bank Islam Trust Company (Labuan) Ltd

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Ms Normala Mat Som

4 CIMB Trust Limited

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5 EC Trust (Labuan) Bhd

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6 Ernst & Young Trust Ltd

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Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

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8 Integrated Agents Trust Ltd

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9 ITMC Fiduciary Limited

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10 KPMG Labuan Trust Company Limited

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11 Law & Commerce Trust Limited

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12 Mayban International Trust (Labuan) Ltd

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Mr Punjau Sepoi

13 Noblehouse International Trust Ltd.

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14 PB Trust (L) Ltd

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15 Portcullis Trustnet (Labuan) Limited

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Mr Foo Chee Thong

16 RHB International Trust (L) Ltd

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17 Shearn Skinner Trust Company Ltd

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18 SiTiTRUST & Administrator Limited

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19 Tricor Trust (Labuan) Ltd.

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Mr Moritz Gubler

20 Tricor Trustco Labuan Ltd (formerly known as Trustco Labuan Ltd)

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Mr Geoffrey Chang Tze Weng

21 ZI Labuan Trust Company Limited

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Mr Azizan Mohd Som

Company Management

1 EQ Funds Services (Asia) Limited

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2 EQ Management and Consultancy Limited

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3 MAA International Investment Ltd

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Mr Ahmad Kamil Mohd Yusop

Fund Management Companies (Country of Origin)

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Ms Lim Bong Shih

2 AmanahRaya Asset Management (Labuan) Ltd (Malaysia)

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Mr Zainul Abidin Ahmad

3 Arcap Insef Ltd (Malaysia)

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Mr Rashdan Ibrahim

4 Aurex Management & Investment (L) Limited (Switzerland)

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Mr Roger Notter

5 Avenue Asset Management Services (L) Ltd (Malaysia)

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6 Bayt Al Mal Asset Management Company Limited (formerly known as Five Dragons (Labuan) Limited) (United Kingdom)

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7 Canaan Asset Management Limited (Hong Kong)

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Mr John David Dryden

8 Capitalwerks (Labuan) Limited (Malaysia)

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9 CCIB Asset Management Limited (Hong Kong)

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10 CFC Seymour Ltd (Singapore)

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Mr Frederick Ernest van Tuyll van Serooskerken

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Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

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Mr Azizan Mohd Som

**17 Portsmouth Securities Limited
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Mr James Kirby

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Mr James Kirby

**20 United Base Global Assets Limited
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Mr Steve Basirdin

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Chairman: Mr Paul Ong Whee Sen

Secretary: Ms Zelie Ho

2 Labuan International Insurance Association

c/o Brighton Management Limited

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Jalan Bahasa, P.O.Box 80431

87014 F T Labuan, Malaysia

Tel: 087-439400 Fax: 087-426652

E-mail: liia@streamyx.com

Chairman: Mr Jeremy Camps

Secretary: Mr Steve Baker

3 Association of Labuan Trust Companies

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87024 F T Labuan, Malaysia
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E-mail: sstc@tm.net.my
Chairman: Mr Chin Chee Kee
Secretary: Ms Lilian Chau Siew Ha

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Mr Mohd Adha Thangarajah Abdullah

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2 AmInternational (Labuan) Limited

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3 Aseambankers Malaysia Berhad

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5 CIMB Bank (Labuan) Limited (formerly known as Bumiputra-Commerce Bank (L) Limited)

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6 Citibank Malaysia (Labuan) Limited

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7 ECM Libra Avenue Securities Sdn Bhd (formerly known as Avenue Securities Sdn Bhd)

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8 EQ Funds Services (Asia) Limited (formerly known as Insinger Funds)

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Listing of Labuan Offshore Financial Institutions

As at 29 February 2008

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