

Strengthening Business Potentials

Guided by our strategic focus on growth, productivity and responsibility, we will continue to synergise our strengths in building and strengthening our business potentials - all with the aim of achieving sustainable progress.



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

LOFSA remains committed to its long-term goals in maintaining Labuan IBFC as a preferred international business and financial centre of high integrity and repute

After a period of exceptional growth, the world economy has now entered a period of instability and uncertainty as the spill over effects of the financial crisis in the advanced economies has far-reaching implications on the rest of the world. The financial reforms and capacity building initiatives undertaken in Asia have, however, well positioned the region to withstand the challenges arising from the global financial turmoil. While Asia may experience slower growth or even economic contraction in 2009, the expectation is that the region will be able to recover much sooner due to its strong underlying fundamentals.

In 2008, the Labuan International Business and Financial Centre (IBFC) maintained positive growth across all key business sectors despite the more challenging global environment. During the year, major policy initiatives were also implemented to transform Labuan from a traditional offshore financial centre to become a vibrant business and financial centre. These initiatives to reinvent and reposition Labuan to be at the higher end of the financial service chain have contributed to maintaining the competitive position of Labuan. In addition, the rebranding of Labuan in January 2008 as the Labuan IBFC signifies the beginning of the bold step towards reinforcing Labuan's position as a business and financial centre that provides the best opportunities and services to its customers and investors, and thus become a highly connected, convenient and cost-efficient business and financial centre in the region.

While the growth prospects in the near term are expected to be moderate as a result of global crisis, the Labuan IBFC continues to offer attractive opportunities as an international financial centre for businesses wishing to expand or consolidate their positions. Labuan is also being strengthened further through more facilitative measures to promote investment holding company business, captive insurance, private wealth management and trusts and foundations. The focus on these sectors is to provide solutions for companies around the world which are continually aiming to strengthen their competitive edge. This will support companies seeking more effective and cost-efficient ways of doing business. For the niche business of investment holding company, further flexibility is being accorded for such companies to co-locate their operations in Kuala Lumpur to enable such companies to leverage on the facilities and infrastructure that is available in Malaysia.

Labuan IBFC has continued to exhibit resilience and record growth in the key business sectors including banking, insurance, trust companies and Islamic finance. Established as a full-fledged business and financial centre, Labuan IBFC is now home to the top-ranked financial institutions that originate from more than 80 countries, including international Islamic financial institutions. Labuan IBFC has also seen steady expansion in terms of the financial product offering as well as the volume of activity. The growth in the number of financial institutions and company registration in Labuan IBFC has sustained an annual rate of increase of more than 10% demonstrating the growing participation in Labuan IBFC as a jurisdiction to conduct international business.

In the area of international banking, the industry had recorded significant increase in total loans and advances, complemented by a low gross non-performing loans level of 1.9% of total loans. Leasing remained the key business sector with an increase in leased assets by 22.9%, underpinned by the activities in the oil and gas, shipping and aviation sectors. The insurance industry achieved a significant expansion in 2008 by recording a gross premium exceeding the USD1.0 billion mark, of which 57.0% of premiums were generated from non-Malaysian business. This achievement bodes well for Labuan IBFC as the reinsurance centre for the region.

Islamic finance in Labuan IBFC has continued to record positive performance particularly in the areas of Islamic private funds and retakaful business. In 2008, total Islamic private fund size doubled to USD2.8 billion while retakaful gross contributions increased by 48.2% to USD162.3 million, further strengthening the supportive role of Labuan IBFC in the Malaysia International Islamic Financial Centre (MIFC) initiative.

Recognising the need to adapt to the more challenging business and economic conditions, LOFSA had implemented initiatives aimed at promoting a more conducive business environment in Labuan IBFC. To improve the cost structure in Labuan IBFC, LOFSA had reduced the annual fee for Labuan companies. In addition, Labuan companies may opt

to be taxed under the Income Tax Act 1967. In enhancing its delivery system, LOFSA is upgrading the on-line company registration system which is being operationalised in 2009 thereby improving the speed of registration and creating a more user friendly registration system.

To effectively promote Labuan IBFC as a premier jurisdiction for international business and financial centre in the region, LOFSA had established a separate marketing arm, Labuan IBFC Inc Sdn. Bhd. in May 2008. The separation of the marketing function from LOFSA will reinforce the effective regulatory and supervisory oversight of Labuan financial institutions.

Under the current global environment, international financial centres have come under greater international scrutiny that calls for higher standards of supervision and regulation. In this regard, LOFSA remains vigilant in ensuring that effective regulatory regime and supervisory oversight are in place. LOFSA accords the highest priority in its regulatory and supervisory functions. As part of its effort to further enhance the regulatory framework, LOFSA issued guidelines on corporate governance for Labuan banks to ensure that their activities are conducted in a safe and sound manner and are in line with high standards of professionalism and prudent business practices. LOFSA had also continued to refine the risk-based supervisory framework to identify and assess the emerging risks

within the financial institutions that may pose supervisory concerns. This will provide an early warning mechanism to facilitate appropriate response measures to preserve the stability and soundness of Labuan IBFC.

Labuan IBFC had been affirmed as a “low risk” jurisdiction for money laundering by the Asia/Pacific Group on Money Laundering and there are sufficient checks and controls in place in Labuan IBFC to ensure businesses channeled through Labuan are legitimate and clean. LOFSA is also a member of international organisations, including the Offshore Group of Banking Supervisors, International Association of Insurance Supervisors and International Organisation of Securities Commissions. The designation of Labuan as a committed jurisdiction reaffirms the commitment of the Malaysian Government to subscribe to the OECD’s standard on effective exchange of information to prevent tax evasion.

Moving ahead, LOFSA remains committed to its long-term goals in maintaining Labuan IBFC as a preferred international business and financial centre of high integrity and repute. LOFSA will also continuously review the legislation governing all facets of business and operation in Labuan IBFC. The objective is to create a more facilitative framework for a conducive business environment. The new legal framework will also enhance the provision of wider range of financial products and services, conventional

and Islamic, without impinging on the continuing status of Labuan IBFC as a well regulated centre, with strong corporate governance and high international supervisory standards. A separate legislation on Islamic finance that features provisions on Shariah governance, licensing requirements for Islamic banking, takaful and retakaful activities as well as Islamic trust and foundations will also be introduced.

The strategies that have been put in place will serve towards ensuring that Labuan IBFC continues to thrive as a vibrant and active international business and financial centre over the medium and longer term.

On the financial performance of LOFSA, I am pleased to announce that for the year ended 31 December 2008, LOFSA recorded an operating income of RM26.9 million while the total reserves in 2008 amount to RM29.0 million.

The success of Labuan as a competitive, cost efficient and innovative international business and financial centre is a shared responsibility involving continuous engagement and collaboration between industry participants including both the providers and the users of the financial services, the regulators and the Government. With the combined efforts and contributions, we can look forward with confidence to a stronger and more prosperous Labuan IBFC.

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



Zeti Akhtar Aziz

Chairman

10 April 2009

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Corporate Profile

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

Objectives of LOFSA

LOFSA was established to:

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

In developing a vibrant and progressive IBFC in line with these objectives, LOFSA has embarked on a two-pronged strategy to:

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

The ultimate aim is for Labuan to be a vibrant and progressive IBFC providing international 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 as well as 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 business activities in the IBFC. The day-to-day administration of LOFSA is entrusted to the Director-General of LOFSA, its chief executive officer.

Members of the Authority are:

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



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Members of the Authority

1. Dr Zeti Akhtar Aziz, Chairman
2. Dato' Sri Zarinah Anwar
3. Datuk Oh Chong Peng
4. Dato' Mohammed Azlan Hashim



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5. Datuk Abdul Karim Abdul Jalil
6. Dato' Basiran Saban
7. Datuk Ali Abdul Kadir
8. Dr A Manaf Hussin
9. Dato' Azizan Abdul Rahman, Director-General

Dr Zeti Akhtar Aziz, Chairman

Dr Zeti was appointed Governor of Bank Negara Malaysia in May 2000. She has been with the central bank since 1985, in a career spanning several senior positions in monetary and financial policies, and reserve management. Dr Zeti presided over the formulation of the Financial Sector Master Plan, a 10-year road map for the development of the Malaysian financial system. During her term as Governor, she oversaw the transformation of the financial system, involving wide-ranging financial reforms, the establishment of new financial institutions, strengthening of the financial markets and the transition to a managed float of the Ringgit exchange rate. She is also involved in the international development of Islamic finance and in regional financial co-operation.

In promoting regional integration initiatives, Dr Zeti chaired the Executives' Meeting of East Asia-Pacific Central Banks Taskforce on "Regional Cooperation among Central Banks in Asia" to draw up the blueprint for future financial cooperation in the region. She is also a member of the Bank for International Settlements (BIS) Central Bank Governance Group since 2001. Dr Zeti is also one of the founding members of the Asian Consultative Council for the BIS and is currently the Chairman of the Council.

Dr Zeti received her Bachelor of Economics (Hons.) from the University of Malaya, Malaysia and her PhD from the University of Pennsylvania, USA.

Dato' Sri Zarinah Anwar

Dato' Sri 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 member of the Commission since 1 December 2001.

She is Vice Chairman of the Emerging Markets Committee of the International Organisations of Securities Commissions. She was Chairman of the ASEAN Capital Markets Forum, a grouping of chairmen and senior members of ASEAN securities regulators, from 2006 - 2008.

Dato' Sri Zarinah currently chairs the Malaysian Venture Capital Development Council and the Capital Market Development Fund, and is a member of the National Economic Consultative Council, the Financial Reporting Foundation, the Foreign Investment Committee and the Board of Directors of the Malaysia Institute of Integrity.

She started her career in the Government's Legal and Judiciary service where she served in the courts as well as the Attorney-General's Chambers. Dato' Sri Zarinah subsequently spent 22 years with Shell and was Deputy Chairman of Shell Malaysia prior to joining the SC.

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

Datuk Oh Chong Peng

Datuk Oh has been an Authority member of LOFSA since 1996. Datuk Oh sits as Non-Executive Director on the various boards of public listed companies such as British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad, Alliance Financial Group Berhad (Chairman), Kumpulan Europlus Berhad, Malayan Flour Mills Berhad and Dialog Group Berhad. He is also a trustee of the Huaren Education Foundation and UTAR Education Foundation.

Datuk Oh was formerly a Government-appointed member of the Bursa Malaysia Berhad (formerly known as Kuala Lumpur Stock Exchange) from 1990 to 1996, director of the Rashid Hussain Berhad group of companies from 1997 to 2002 and also a director of Star Publications (Malaysia) Berhad from 1987 to 2009.

He started his career with Coopers and Lybrand (now merged into PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a partner of Coopers and 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 of the Malaysian Institute of Certified Public Accountants (1981-2002), and also a past President (1994-1996).

Dato' Mohammed Azlan Hashim

Dato' Mohammed Azlan is Chairman of D & O Ventures Berhad, SILK Holdings Berhad, Labuan IBFC Inc Sdn. Bhd. and University Darul Iman Malaysia. He also serves as a board member of, amongst others, the Employees Provident Fund, Khazanah Nasional Berhad and Scomi Group Berhad.

He has 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 Bankers Berhad, Group Managing Director of Amanah Capital Malaysia Berhad and Executive Chairman of Bursa Malaysia Berhad.

Dato' Mohammed Azlan holds a Bachelor of Economics from Monash University, Australia and qualified as a 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.

Datuk Abdul Karim Abdul Jalil

Datuk Abdul Karim is the Director-General of Insolvency Department and was previously the Chief Executive Officer of the Companies Commission of Malaysia, a position he held from November 2005 to April 2009. He is a member of the Corporate Law Reform Committee, Foreign Investment Committee, Financial Reporting Foundation, Malaysia 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.

Datuk Abdul Karim 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 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.

Datuk Abdul Karim holds an LLB (Hons.) from the University of Malaya, Malaysia.

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, Malaysia and a Masters in Development Administration from Michigan University, USA.

Datuk Ali Abdul Kadir

Datuk Ali is a Chairman of several public and private companies, such as Milux Corporation Berhad, Airocom Technology Berhad, Jobstreet Corporation Berhad and Microlink Solutions Berhad. 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). Datuk Ali was a partner of Ernst & Young from 1977 and was the Executive Chairman until February 1999.

Datuk Ali served as Chairman of the Securities Commission from March 1999 to February 2004, as a member of national committees including the Foreign Investment Committee and the Oversight Committee of Danaharta and as a trustee of the Financial Reporting Foundation.

On the international front, Datuk Ali was a member of the Executive Committee of the International Organisation of Securities Commissions (IOSCO) and Chairman of IOSCO's Asia-Pacific Regional Committee and of 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.

Dr A Manaf Hussin

Dr Manaf is 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 Bank Simpanan Nasional.

In a career with the Government that began in 1980, Dr 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 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.

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. He serves as an Exco member of the Malaysia International Islamic Financial Centre and a board member of International Islamic Finance Market, which is based in Bahrain. He is also a board member of the Labuan IBFC Inc. Sdn. Bhd., LOFSA Incorporated Sdn. Bhd. and Pristine Era Sdn. Bhd.

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 several positions in the areas of finance, supervision and examination. During his early years with BNM, he was on 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, Malaysia 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.

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 business and financial services in Labuan

- To ensure that international 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 international financial services in Labuan;

- To conduct promotional programs 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 business and international financial services;

- To collaborate with Labuan financial institutions and industry associations in promoting and improving business and financial services; and

- To advise the Government generally on matters relating to financial services in Labuan IBFC.

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:

a. Offshore Group of Banking Supervisors (OGBS);

OGBS was set up as a result of a mutual concern with supervision of banks and related financial services primarily engaged in cross-border activities.

b. International Association of Insurance Supervisors (IAIS);

IAIS was established to represent insurance regulators and supervisors of 190 jurisdictions to promote financial stability by working closely with financial sector standard setting bodies and international organisations.

c. International Organisation of Securities Commissions (IOSCO);

IOSCO regulates more than 90% of the world's securities markets and is the world's most important international cooperative forum for securities regulatory agencies. It is recognized as the international standard setter for securities markets.

d. Offshore Group of Insurance Supervisors (OGIS);

Founded in 1993, the OGIS is an informal grouping of regulators representing domiciles engaged in the supervision of international insurance business.

e. Asia/Pacific Group on Money Laundering (APG);

The APG provides technical assistance and training with agencies and member countries to improve compliance with the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) standards. It also assesses APG's members compliance with the global AML/CFT standard through mutual evaluation and conduct research into money laundering and terrorist financing methods, trends, risk and vulnerabilities.

f. Islamic Financial Standards Board (IFSB); and

The IFSB serves as an international standard-setting body consisting of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry.

g. International Islamic Financial Market (IIFM).

The IIFM was founded with the collective efforts of the central banks and monetary agencies of Bahrain, Brunei, Indonesia, Malaysia, Sudan and the Islamic Development Bank based in Saudi Arabia, as an standard-setting body with the mandate to take part in the establishment, development, self-regulation and promotion of Islamic capital and money market.

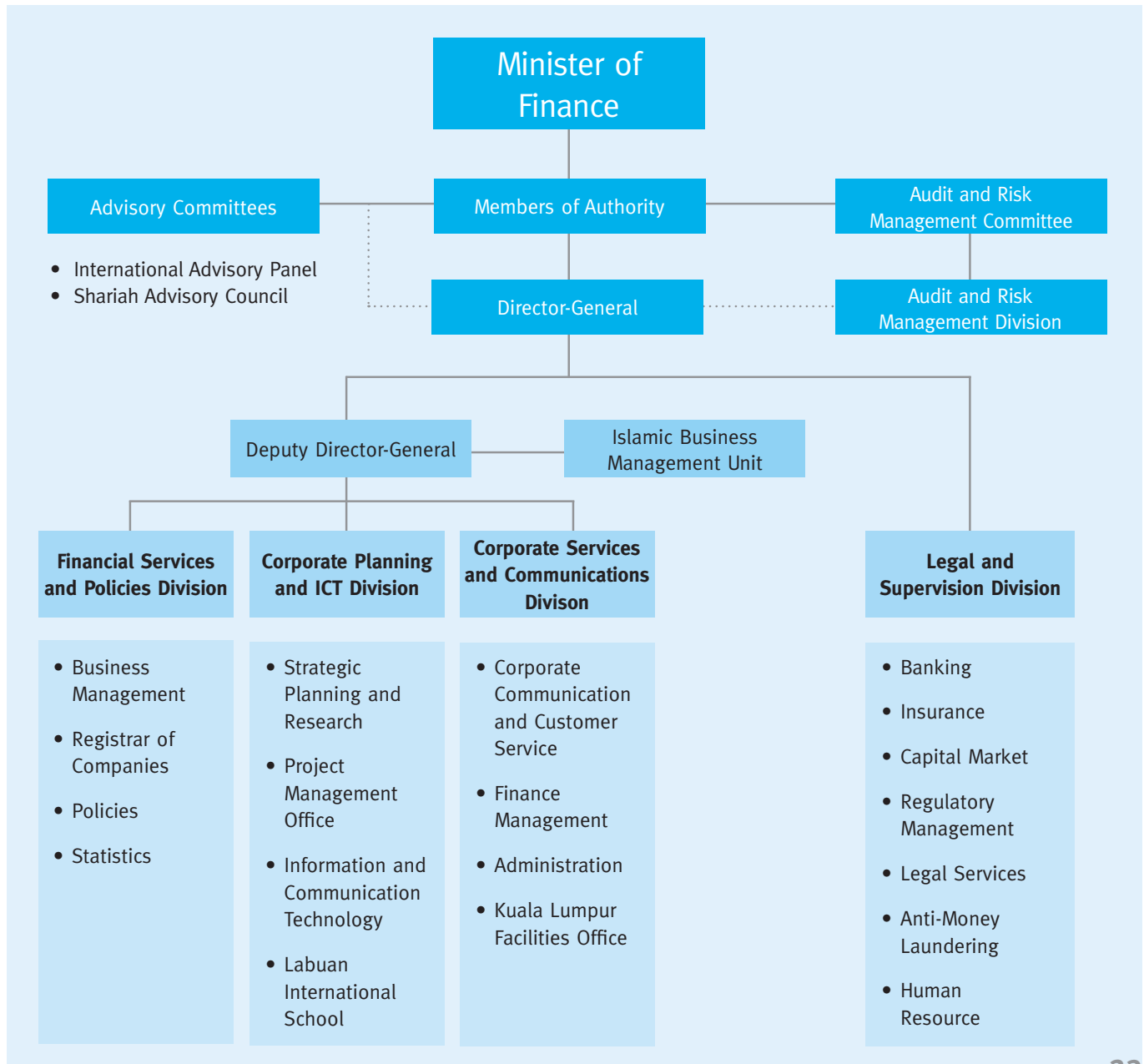
In 2008, LOFSA participated actively in the meetings and conferences organised by the above international bodies including the OGBS meeting in March, the IAIS Toronto Insurance Program Workshop in May, APG Annual Meeting in July, the XV International Conference of Banking Supervisors (ICBS), Joint Meeting of the Basel Committee and Members of the International Liaison Group, and Annual Meeting of SEANZA Forum of Banking Supervisors in September.

In November 2008, LOFSA also attended the Annual IOSCO Technical Committee Conference and hosted the IIFM 19th Board of Directors' Meeting in Kuala Lumpur.

Organisation Structure

LOFSA is structured into six core areas, namely, Financial Services and Policies Division, Corporate Planning and ICT Division, Corporate Services and Communications Division, the Legal and Supervision Division, Audit and Risk Management Division, and Islamic Business Management Unit.

The structure enables LOFSA to effectively deliver services to the Labuan IBFC community and potential clients within the regulatory framework while complying with international standards.



The International Advisory Panel



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.

He has over 25 years of experience in business advisory services in Malaysia and the United Kingdom. He is a regular speaker on corporate governance, corporate reporting and corporate responsibility at local and international forums.

Dato' Ahmad Johan is Chairman of the Financial Reporting Foundation. He is also a Board Member of Putrajaya Corporation, and Chairman of the Institute of Corporate Responsibility, Malaysia. He is also a member of the board of Kuala Lumpur Business Club and the Board of Trustees of Yayasan Tun Suffian.

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

Datuk Seri Panglima Andrew L T Sheng

Datuk Seri Panglima Andrew Sheng was the Chairman of the Hong Kong Securities and Futures Commission from 1998 to 2005. He was also 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, Khazanah Nasional Berhad and Sime Darby Berhad. He is also Chief Advisor to the China Banking Regulatory Commission and Adjunct Professor of the University of Malaya, Malaysia, 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 was Chief Advisor to the China Securities Regulatory Commission (CSRC) from September 1998 to June 2004 and remains a member of the International Advisory Board of the CSRC. He was Chairman of the Hong Kong Securities and Futures Commission from 1995 to 1998. He was elected Chairman of the Technical Committee of the International Organization of Securities Commissions for 1996 - 1998. From 1984 to 1986, he was in active practice as a member of the California Bar, specialising in international financial transactions, and was briefly associated with the firm of Pillsbury Madison & Sutro.

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 chair of the Planning Committee of the Chinese University Law School and an executive committee member of the Council of the Chinese University.

Mr Neoh was appointed Queen's Counsel (now retitled, Senior Counsel) in April 1990. A law graduate of London University, he was called to the English Bar by Gray's Inn in 1976. He was a Visiting Scholar at the Harvard Law School in 1990/91 and for September 2001 - May 2002, he was 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 Hong Kong SAR.



From Left to Right

- Dato' Mohammed Azlan Hashim, Chairman
- Dato' Ahmad Johan Mohammad Raslan
- Datuk Seri Panglima Andrew L T Sheng
- Anthony Neoh, QC, SC
- George Ratilal
- Iqbal Khan
- Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor
- Michael Troth
- Robert M Tomlin

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. He was formerly the Founding Chief Executive Officer 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 has held positions as Global Head of Islamic Finance for Citibank and Senior Investment Banker in Bahrain and London.

He is 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 BNM Fund for Shariah Investments, and the Islamic Capital Market Consultative Panel for Bursa Malaysia Berhad.

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

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, Mr Ratilal was with a local merchant bank for 18 years, specializing in corporate finance, where he was involved in advisory work in mergers and acquisitions and the capital markets.

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

Tan Sri Dato' Megat Zaharuddin is Chairman of Malaysian Rubber Board. Tan Sri Dato' Megat Zaharuddin has over 35 years of experience in international oil, gas and chemical business. He has held numerous posts including the Chief Executive and General Manager of Shell Turkey, Chairman and Chief Executive of Shell Malaysia Limited, Chairman of Malaysia's National Science Centre, Non-Executive Director of Maxis Communications Berhad, Director of Maybank Berhad, Capital Market Development Fund, Etiqa Insurance Bhd, and Etiqa Takaful Bhd. He is currently the Director of International Centre for Leadership in Finance and a Non-Executive Director of Woodside Petroleum.

Michael Troth

Mr Troth is the Managing Director and Head of Global Wealth Restructuring for Citi Global Wealth Management Asia-Pacific, CitiGroup Private Bank 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 ten years were in Asia where he was Managing Director of its Asian Trust Business.

Mr Troth obtained his Bachelor of Science degree from Institute of Science and Technology, Manchester University, UK. 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



The Shariah Advisory Council (SAC), comprising renowned Malaysian and international Islamic finance scholars, reviews the compatibility of proposed financial instruments to Shariah requirements. It also advises LOFSA on the development of Islamic jurisprudence principles. The members of the SAC are appointed by the Authority.

Dr Mohd Daud Bakar, Chairman

Chief Executive/President of the International Institute of Islamic Finance and Amanie Business Solutions Sdn Bhd
PhD, University of St Andrews, UK
Bachelor of Arts (Hons), University of Kuwait, Kuwait
Bachelor of Jurisprudence, University of Malaya, Malaysia

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

Dato' Dr Abdul Halim Ismail

Executive Director, BIMB Securities Sdn Bhd
PhD in Economics, Oxford University, UK
Bachelor of Arts (Hons) in Economics, University of Malaya, Malaysia

Prior to holding the position of Executive Director of Bank Islam Malaysia Berhad (BIMB) Securities Sdn Bhd, Dato' Dr Abdul Halim was the Managing Director of BIMB until 1994. He was appointed as a Director of BIMB Holdings Berhad on 21 August 1998. Apart from BHB, Dato' Dr Abdul Halim is also Chairman of BIMB Unit Trust Management Berhad and Mentakab Rubber Company (Malaya) Berhad. He is a Director of Golden Hope Plantations Berhad and Institut Kefahaman Islam Malaysia. Currently, he is a member of the Shariah Advisory Council of Bank Negara Malaysia and Securities Commission, Malaysia.

Professor Madya Dr Ahmad Shahbari @ Sobri Solomon

Executive Chairman, Pusrawi Corporation Sdn Bhd
PhD, New York University, USA
MPhil, New York University, USA
MA International Studies, Fairleigh Dickinson University, USA
BA Shariah, Al-Azhar University, Egypt

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, before joining the Kulliyah of Economics and Kulliyah of Law, International Islamic University, Malaysia. He was also a member of the Islamic Religious Council of Selangor State for 23 years.



From Left to Right

- Dr Mohd Daud Bakar, Chairman
- Dato' Dr Abdul Halim Ismail
- Professor Madya Dr Ahmad Shahbari @ Sobri Solomon
- Dr Hussein Hamed Hassan
- Dr Mohamed Ali Elgari
- Dr Engku Rabiah Adawiah

Dr Hussein Hamed Hassan

Chairman of Dubai Islamic Bank's Fatwa & Shariah Supervision Board, UAE
 PhD, Al-Azhar University, Egypt
 MA, New York University, USA

Dr Hussein is an Azharite scholar with a doctorate in the Faculty of Shariah and a Master of Comparative Jurisprudence from New York University. He sits on the Shariah Advisory Boards of numerous banks and regulatory bodies. Dr Hussein is also Chairman of the Liquidity Management Centre of Bahrain and Sharjah Islamic Bank Shariah Board. He serves as an advisor to the Presidents of many Muslim countries. He has 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

Professor of Islamic Economics, King Abdul Aziz University, Jeddah
 PhD, Economics, University of California, USA

Dr Mohamed Ali was the former Director of the Centre for Research in Islamic Economics, King Abdul Aziz University of Jeddah. He is a member of numerous Shariah Boards of Islamic banks and Takaful companies worldwide. Amongst them are Islamic Development Bank, Al-Jazira Bank and Saudi American Bank. He 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, International Islamic Financial Market as well as the Accounting and Auditing Organisation for Islamic Financial Institutions. Dr Mohamed Ali has written several books on Islamic finance and published many articles on the subject in both Arabic and English.

Dr Engku Rabiah Adawiah

Associate Professor of Ahmad Ibrahim Kulliyah of Laws, International Islamic University, Malaysia
 PhD in Law (Securities Regulation), University of Aberdeen, UK
 Masters in Comparative Laws, International Islamic University, Malaysia
 LLB & LLBS (1st Class Hons), International Islamic University, Malaysia

Dr Engku Rabiah is currently an Associate Professor teaching both Shariah and civil law, particularly on the subjects of Islamic transactions, company law, law of contracts and Islamic banking and securities at both undergraduate and postgraduate levels. Her publications include articles in some journals and periodicals in Malaysia and abroad.

Dr Engku Rabiah also serves as a Shariah advisor and consultant to several financial institutions and legal firms. Currently, she is a member of the Shariah Advisory Council of Bank Negara Malaysia and an independent Shariah Advisor for Islamic securities issuance, approved by and registered with the Securities Commission, Malaysia. In addition, she is a member of the investigation tribunal for the Malaysian Bar Council.

Senior Management

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

Chartered Accountant of the Malaysian Institute of Accountants

Masters in Business Administration, Manchester Business School, UK

Bachelor of Accounting (Hons), University of Malaya, Malaysia

Danial Mah oversees three divisions, namely Financial Services and Policies, Corporate Planning and ICT, and Corporate Services and Communication. He also spearheads the Islamic Business Management Unit, which is responsible for the development, including policies formulation of Islamic financial business in Labuan IBFC.

He is Chairman of the Policy Committee and 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 the IIFM, Chairman of the Institute of Banks Malaysia Advisory Committee (Labuan) and a Board Member of LOFSA Incorporated Sdn. Bhd. and Pristine Era Sdn. Bhd.

Iskandar Mohd Nuli

Senior Director, Legal and Supervision Division

Certified Financial Investigator (CFI)

Advocate and Solicitor in the High Court of Malaya

Bachelor of Law (Hons), International Islamic University, Malaysia

Iskandar joined LOFSA in 1996 and was formerly attached to the Legal Department of Bank Negara Malaysia. He oversees the banking, insurance and capital market supervision as well as regulatory management functions. 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 human resource units. He is a member of the board of LOFSA Incorporated Sdn. Bhd. and Pristine Era Sdn. Bhd.



From Left to Right

- **Dato' Azizan Abdul Rahman**
- **Danial Mah Abdullah**
- **Iskandar Mohd Nuli**
- **Sabaruddin Ismail**
- **Md Yunus Atip**
- **Mohd Rizlan Mokhtar**

Sabaruddin Ismail

Director, Corporate Planning and ICT Division
Masters in Economic Policy, Boston University, Massachusetts, USA
Bachelor of Arts in Economics, University of Malaya, Malaysia

Formerly with Bank Negara Malaysia, Sabaruddin joined LOFSA in 1998 and is responsible for the various strategic initiatives and business support functions of LOFSA covering strategic planning, research and information and communication technology.

He also oversees the Project Management Office for the Ninth Malaysia Plan projects initiated by LOFSA 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, Financial Services and Policies Division
Bachelor of Business Administration (Economics), Linfield College Oregon, USA

Prior to joining LOFSA in 1996, Md Yunus was with Bank Negara Malaysia. Currently, he is responsible for the Business Management, Registrar of Companies, Policies and Statistics units. The functions of these units include company registration, licensing of financial and business activities, i.e. banking, insurance, trust, leasing and fund management; overseeing the operations of licensed entities, developing and reviewing policies for business activities and managing statistical returns submitted by the licensed institutions.

Mohd Rizlan Mokhtar

Acting Director, Corporate Services & Communication Division
Bachelor of Arts in Accounting and Finance, Manchester Polytechnic, UK

Mohd Rizlan joined LOFSA in 1999 as an Assistant Manager in the Banking and Insurance Division. Since then, he has held various portfolios in Policies, Research and Statistics, Business Development and Audit and Risk Management.

He currently oversees the Corporate Communication and Customer Services Management as well as the business support functions of Financial Management and Administration. He also oversees the operations of the Kuala Lumpur Facilities Office.

He has seven years of prior experience in commercial banking at two Malaysian financial institutions, specifically in corporate and commercial business lending as well as corporate planning and research.

Statement of Corporate Governance

- 32** The Authority
- 32** Authority Meetings
- 32** Accountability and Audit
- 33** Committees
- 35** Enterprise Risk Management
- 36** Box Article 1 :
A Well Governed and Regulated Labuan International
Business and Financial Centre

Good Governance
support and
our continued



has built trust,
confidence for
growth

Statement of Corporate Governance

Corporate Governance constitutes the framework and administrative processes through which the Authority and Management maintain 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 both 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 Chairman and Director-General. The Director-General is responsible for the administration and day-to-day operations of LOFSA.

The Authority is committed to ensure that LOFSA practices 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. They also ensure proper financial management and human resource management and oversee the management of LOFSA.

Authority Meetings

The Authority held six meetings during the year ended 31 December 2008. The agenda and a full set of papers for deliberation were distributed earlier than the date of meeting so that the members had sufficient time to read and study the issues. This helped to ensure that the Authority members were prepared for deliberation and discussion on matters highlighted in the papers. All issues deliberated and decisions made at the Authority meetings were minuted accordingly.

Senior management and external consultants may be invited to attend the Authority meetings to provide further advice, including detailed information and clarification in relation to the relevant items on the agenda being tabled at the Authority meetings.

Accountability and Audit

Financial Reporting

As a statutory body, the Authority is required to submit its accounts to be audited by the Auditor General's Office every year before being tabled to Parliament. It is the commitment of the Authority to provide a clear, balanced, true and fair view of the state of affairs of LOFSA's financial performance at the financial year-end, supported by the Chairman's statement and annual financial statements in the annual report. The Authority is assisted by the Audit and Risk Management Committee (ARMC) to oversee and maintain the quality of financial reporting and ensure compliance based on acceptable accounting standards.

Internal Controls and Compliance

The Authority continues to maintain a sound system of internal controls that provides reasonable assurance of effective and efficient operations, compliance with relevant laws and regulations, and compliance with internal procedures. The system aims to prevent and detect fraud, including other irregularities, to safeguard the assets of LOFSA. While the Internal Audit Unit (IAU) conducts regular audits on all the operational functions of LOFSA as well as follow-up audits on initiatives implemented to address any deficiency that has been highlighted, the Risk Management Unit (RMU) assists the Management in its effective implementation of an internal control system that is designed to identify and mitigate risks by providing a risk management framework and regular monitoring on critical areas.

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 controls environment and reviews the adequacy and integrity of the control system in place.

LOFSA has established an adequate framework and instituted processes to evaluate, mitigate, monitor and report significant risks within the organisation. It continues to review the existing framework and develop new internal controls, where appropriate, on the operational processes to suit the current 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.

Committees

In ensuring effectiveness and realising its responsibilities to stakeholders, the Authority has formed committees as provided under Section 15 of the LOFSA Act 1996 to oversee specific matters pertaining to the running of the organisation. Each committee operates within clearly defined terms of reference.

Audit and Risk Management Committee

The ARMC comprises four members of the Authority, all of whom are independent and Non-Executive Members. The ARMC assists the Authority in fulfilling its oversight functions to ensure a sound system of internal control, risk management and corporate governance to safeguard LOFSA's assets.

The members of the ARMC are:

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

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 findings are fully considered and properly resolved;
- To review the adequacy of the scope, functions and resources of the internal audit function;
- 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.

In undertaking its functions, 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 met six times during the year under review.

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

Statement of Corporate Governance

Summary of Activities

The ARMC performs its roles and responsibilities in accordance with its terms of reference. Key activities undertaken during the year under review included:

- Internal audit reports covering risk areas as outlined in the internal audit plan in the annual audit plan of LOFSA and subsequent follow-ups 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 arrangements for maintaining a professional relationship with the Auditor General. The main responsibilities relating to this are included in the terms of reference of the ARMC. LOFSA is required to submit its financial statements to the Auditor General annually in accordance with the Statutory Bodies Act 1980.

Internal Audit

In discharging its duties, the ARMC is assisted by the IAU that had fully undertaken the internal audit function with effect 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 review by the ARMC.

The Project Steering Committee

The Project Steering Committee (PSC), established in 2008, comprises six members of the Authority. The members of the PSC are:

Datuk Oh Chong Peng	Chairman
Dato' Sri Zarinah Anwar	Member
Dato' Mohammed Azlan Hashim	Member
Datuk Ali Abdul Kadir	Member
Datuk Abdul Karim Abdul Jalil	Member
Dato' Azizan Abdul Rahman	Member

The PSC convened four meetings in 2008. The duties and responsibilities of the PSC include the following:

- Ensures that LOFSA's projects under the Repositioning Study and Ninth Malaysian Plan are implemented efficiently and that stakeholders' expectations are met during the implementation process; and
- Assists in the resolution of high-level issues and ensures that appropriate mitigation plans are developed.

The Head of the Corporate Planning, Information and Communication Technology and Project Management Office (PMO) Unit attended all meetings of the PSC. Senior management was also invited to attend the PSC meetings as and when necessary. The PMO Unit acts as secretariat for the PSC and is responsible for the preparation and administration of the meetings.

Enterprise Risk Management

LOFSA continues to practise the highest standard of corporate governance by improving the risk management process. LOFSA regularly reviews its Enterprise Risk Management (ERM) framework and risks identified in the risk management system. To ensure the ongoing implementation of risk management and updates of risk profiles, the Authority is assisted by the RMU that reports to the ARMC. The roles and responsibilities of the RMU include:

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

LOFSA's risk profiles were reviewed during the year, whereby 45 risks, comprising operational, strategic and financial risks, were identified. These risks were rated between low and high, based on the likelihood and impact of the risks occurring. Under the ERM framework, these risks and the corresponding mitigating measures were discussed at the management level through the Risk Management Working Group and escalated to the ARMC for guidance.

As part of the ERM, LOFSA has also embarked on the implementation of the Business Continuity Plan (BCP). The BCP would ensure that LOFSA is able to maintain or recover its critical services when faced with adverse events, such as natural disasters, technological failures, human errors or damage to office premises. The BCP could also minimise financial loss, ensuring continuation of services to stakeholders and mitigating negative effects on LOFSA's strategic plan, reputation and operations.

Box Article 1 :

A Well Governed and Regulated Labuan International Business and Financial Centre

As the regulatory body for the Labuan International Business and Financial Centre (IBFC), Labuan Offshore Financial Services Authority (LOFSA) is entrusted with the administration of the activities of the centre to ensure that the international business industry is well governed and regulated.

In doing so, LOFSA has stringent entry policies for the establishment of financial institutions and trust companies as well as for capital market activities. Extensive due diligence which is conducted at entry level ensures that only the “fit and the proper” are allowed to operate in Labuan IBFC. Other operational restrictions in place for the conduct of business in Labuan IBFC are:

- a. No bearer shares allowed;
- b. No cash transaction allowed;
- c. Physical presence required;
- d. Labuan companies must maintain their records in Labuan and file their annual returns to LOFSA;
- e. Stringent Know Your Customer (KYC) policy; and
- f. Directors and principal officers must be approved by LOFSA.

Since LOFSA’s establishment in 1996, LOFSA’s supervisory approach has evolved over the years but the guiding objective of permitting only genuine and legitimate businesses to be conducted in Labuan IBFC remains. Labuan banking institutions have been evaluated based on the CAMEL rating framework, which encompasses the review of capital adequacy, asset quality, management capability, earnings performance and liquidity position. EMAS rating framework has been used to assess performance and condition of the Labuan insurers based on their earnings, management, assets and solvency.

LOFSA employs the asset quality, management capability, earnings performance and operational controls (AMEO) rating framework to assess performance of Labuan fund entities based on AMEO. For trust companies, the assessment is based on the compliance with the “Guidelines on Minimum Requirements of Trust Companies” issued by LOFSA.

In 2005, LOFSA developed the Risk-Based Supervisory Framework (RBSF) which was enhanced in 2008. This comprehensive supervisory framework enables LOFSA to assess in a timely manner the resilience of financial institutions and detect any weaknesses that can undermine Labuan IBFC’s financial soundness and stability. LOFSA also conducts regular on-site examinations and off-site surveillance including formal and informal prudential discussions with industry players. These regular exercises enabled early detection of potential problems and allowed pre-emptive actions to be taken.

The full implementation of RBSF has greatly facilitated the supervision of the financial institutions. There has been a more systematic approach and structured risk assessment through the separate assessment of inherent risks and risk management processes.

LOFSA monitors closely the operations and affairs of financial institutions in Labuan and would institute stern actions against any institutions found to be in breach of applicable legislations and guidelines issued by LOFSA.

LOFSA’s commitment to strict regulatory standards is further enhanced by its membership in the National Co-ordination Committee to Counter Money Laundering (NCC). The NCC is a group of enforcement agencies that is responsible for developing national policies and measures to monitor and counter money laundering.

In 2008, LOFSA revised Section 28B of the LOFSA Act 1996 to facilitate exchange of information with regulatory and enforcement agencies. The amended provision has allowed LOFSA to meet the best standard practices set by international bodies like the International Monetary Fund and Financial Action Task Force (FATF) to carry out more effective supervision and monitoring of Labuan financial institutions.

In April 2009, Malaysia affirmed its commitment to the Organisation of Economic Co-operation and Development (OECD) Standard on Exchange of Information. Malaysia has set its position on the OECD Model Tax Convention and paragraph 4 and 5 of Article 26 of the OECD Model DTA Convention. Although Malaysia is not a member of OECD, it has adopted the OECD Model DTA Convention.

To further highlight LOFSA's commitment to meeting regulatory prudence and standards, LOFSA is also a member of various international multilateral bodies. These organisations – which promote high-standards of regulatory oversight for financial markets – include the Offshore Group of Banking Supervisors, Offshore Group of Insurance Supervisors, International Association of Insurance Supervisors, International Organisation of Securities Commissions, Asia/Pacific Group on Money Laundering (APG) and Islamic Financial Services Board.

By committing and practising the international standards set by these organisations, Labuan was given a higher standard of compliance by the APG with the international standards, namely the FATF 40+9 recommendations during the second round of the Mutual Evaluation Exercise in 2007.

The revised Anti-Money Laundering/Combating the Financing of Terrorism guidelines issued to banking institutions, insurance companies and trust industry specify regulatory requirements are in line with the FATF 40+9 Recommendations and the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA). The guidelines ensure that the policies and procedures adopted by Labuan institutions are in compliance with AMLATFA and related regulatory requirements.

LOFSA also affirmed its commitment to the International Organization of Securities Commissions by applying to become the signatory of the Multilateral Memorandum of Understanding on Consultation, Cooperation and

Exchange of Information, which sets forth the authorities' intent with regard to mutual assistance and the exchange of information for the purpose of enforcing and securing compliance with the respective laws and regulation.

Recognising the importance of good and sound corporate governance practice for Labuan banks in Labuan IBFC, LOFSA took further steps to enhance and safeguard the banking industry by issuing the Guidelines on Corporate Governance for Offshore Banks in November 2008. The guidelines were developed based on the best practices articulated under core principles for effective banking supervisions developed and promoted by Basel Committee on Banking Supervision. The guidelines set out regulatory expectations of the financial institutions in implementing practices for governance and risk management by adopting standards relevant to their activities.

As one of the leaders in Islamic finance, LOFSA has in place strong regulatory framework for Islamic finance. The activities are governed by a Directive on Islamic Financial Business in Labuan IOFC issued in October 2003 that sets out requirements to be observed by Labuan financial institutions offering Islamic financial products and services. The requirements provide general Shariah governance practices for the institutions including the establishment of an independent Shariah Advisory Council to ensure products and services offered are Shariah compliant.

Be it conventional or Islamic, LOFSA continuously reviews its regulatory framework and guidelines to ensure that the regulations are consistent with and conform to international benchmarks. These regulations ensure that the various business sectors in Labuan IBFC are well governed and regulated – enhancing our credibility and standing in the local and international business community.

Business Activities of Labuan IBFC

- 40** Labuan Companies
- 42** Trust Companies
- 43** Labuan Banks
- 48** Labuan Investment Banks
- 49** Labuan Insurance
- 57** Labuan Leasing
- 59** Labuan Fund Management
- 60** Debt Issuance Activities
- 60** Labuan International Financial Exchange
- 61** Islamic Financial Services

Achieving
aspirations have
effectiveness



our targets and
increased operational
and efficiency

Business Activities of Labuan IBFC

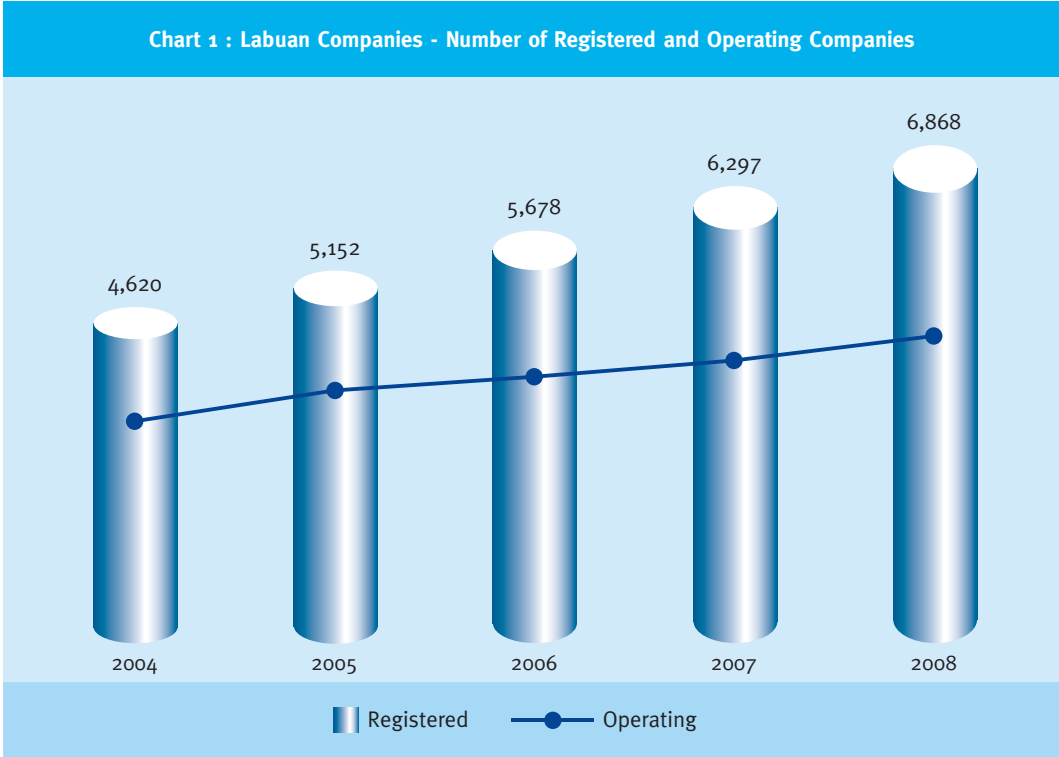
The global financial market conditions in 2008 caused the collapse of several US and European banks. Branches of international banks operating in Labuan IBFC have also been affected due to the rationalisation exercise of banking institutions at the head office level. It is expected that the banking business volume in Labuan IBFC may remain stable until the global financial condition improves.

Despite these developments, the financial crisis has provided opportunities for Labuan IBFC to attract more companies to establish their businesses here which offer lower cost and competitive incentives. To tap on these opportunities, LOFSA continues to enhance its delivery system to improve the efficiency and speed in processing applications. LOFSA has invested to upgrade the current online registration system which is expected to be operationalised in the third quarter of 2009. In addition, the requirements for applications of licensed activities are also being reviewed to further facilitate the submission and expedite the process. At the same time, LOFSA would implement “fast track” approval to enhance the delivery mechanism for key business areas such as application to establish holding companies and captives.

During the year under review, Labuan IBFC continued to record encouraging growth in various financial sectors. The registration of new companies grew by 9.1%. Amongst business sectors, the leasing industry continued its strong performance by recording the highest number of approvals granted. In addition, insurance gross premiums surpassed the target of USD1.0 billion mark, representing yet another milestone in the development of Labuan IBFC. The Labuan banking industry registered higher loan growth compared to previous year and recorded 28.1% increase in pre-tax profits.

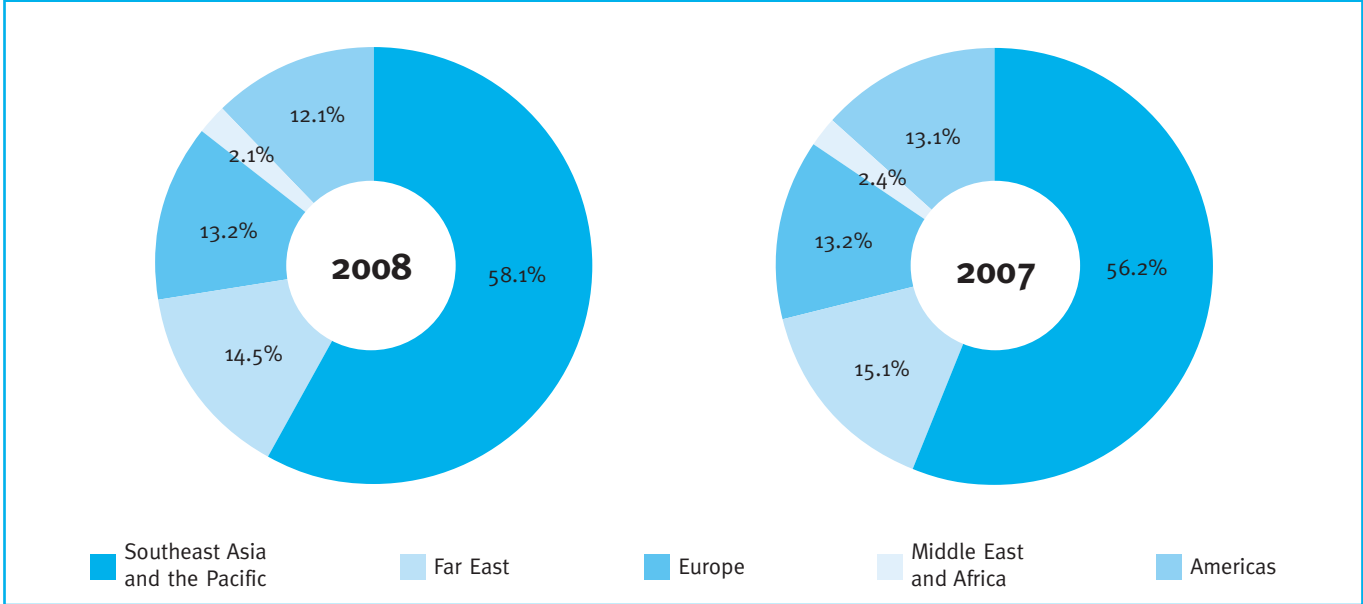
Labuan Companies

The 9.1% growth recorded in 2008 was achieved with the registration of 571 new companies (2007: 619) bringing the total number to 6,868 compared to 6,297 in 2007. The number of Labuan companies that were deregistered, voluntarily wound up or re-domiciled improved by 33% to 299 companies (2007: 446) during 2008. This may be attributed to the reduction of annual fees to RM1,500 from RM2,600 which allowed owners and shareholders to continue maintaining the companies in Labuan IBFC.



Labuan IBFC remained as one of the preferred business and financial centres in the Asia-Pacific region as reflected in the 85 countries of origin of Labuan companies. In terms of segregation by region, 58.1% (2007: 56.2%) of the operating Labuan companies are from Southeast Asia and the Pacific region, which included Malaysia, Indonesia, Australia, India, Thailand and Singapore. Companies from the Far East countries, namely, Hong Kong, Taiwan, Korea, China and Japan made up 14.5% (2007: 15.1%). European companies and Americas constituted 13.2% (2007: 13.2%) and 12.1% (2007: 13.1%) respectively, while the remaining 2.1% were from Middle East and Africa (2007: 2.4%).

Chart 2 : Operating Labuan Companies - Breakdown of Origin by Region



Trust Companies

In 2008, two new trust companies were granted approval to operate in Labuan IBFC, bringing the total number of operating trust companies to 23 (2007: 21). The main activities of trust companies are to provide secretarial services to Labuan companies as well as other services such as trusteeships, accounting, administration and backroom services. The aggregate operating income of trust companies in 2008 declined by 2.9% to USD13.8 million compared with USD14.2 million in the previous year, leading to a slight moderation in combined pre-tax profits of USD6.4 million against USD6.5 million in the previous year. Total number of employees in this industry increased marginally to 273 (2007: 270 employees).

Table 1 : Trust Companies - Key Data

	2004	2005	2006	2007	2008	Annual change
Number of Trust Companies	20	20	21	21	23	
	USD'ooo					(%)
Operating Income	5,980	7,251	9,366	14,216	13,798	(2.9)
Profit Before Tax	2,696	3,150	3,840	6,455	6,418	(0.6)

Labuan Banks

As at end of 2008, the total number of approved Labuan banks increased to 59 (2007: 56). Six new banks were granted approval in 2008 comprising three Labuan banks and three investment banks. On the other hand, three banks surrendered their licences due to mergers and rationalisations of their operations. Of the total 51 operating banks, 15 were Malaysian-owned banks, consisting of ten subsidiaries and five branches, while 36 were foreign-owned, comprising seven subsidiaries and 29 branches.

Total assets of Labuan banks increased by 7.5% to USD29.0 billion in 2008 (2007: USD27.0 billion), mainly attributed to the growth in loans and advances. Loans and advances also rose 24.4% to USD17.6 billion in 2008 (2007: USD14.1 billion) partly due to the restructuring of loans by corporate borrowers and higher facilities granted to non-residents which accounted for 57.2% of the total loans outstanding.

Table 2 : Labuan Banks – Sources and Uses of Funds

	2006	2007	2008	2008	
	USD Million			change (%)	share (%)
Sources:					
Deposits	5,793.1	9,024.2	9,406.2	4.2	32.4
Deposits and Placements of Banks and Other Financial Institutions	2,436.9	3,166.9	5,396.4	70.4	18.6
Balances due to Head Office and Branches Outside Malaysia	10,822.3	11,004.0	10,279.8	(6.6)	35.4
Others	2,058.0	3,783.9	3,918.8	3.6	13.5
Total	21,110.3	26,979.0	29,001.2	7.5	100.0
Uses:					
Cash and Short-term Funds	2,327.7	2,419.0	1,638.2	(32.3)	5.6
Balances due from Head Office and Branches Outside Malaysia	2,843.0	5,870.7	5,733.8	(2.3)	19.8
Investments	2,316.8	2,642.7	1,747.8	(33.9)	6.0
Loans and Advances	11,938.6	14,127.0	17,576.7	24.4	60.6
Fixed Assets	5.7	30.8	14.5	(52.9)	0.0
Others	1,678.5	1,888.8	2,290.2	21.3	7.9
Total	21,110.3	26,979.0	29,001.2	7.5	100.0

Note: Figures may not necessarily add up due to rounding up

The main source of funding for the Labuan banking industry is borrowing from head offices, comprising 35.4% of the total resources followed by deposits from non-bank customers of 32.4%. Loans and advances continued to constitute the bulk of the utilisation of resources, accounting for 60.6% or USD17.6 billion (2007: USD14.1 billion) of the total utilisation of fund for Labuan banks.

Table 3 : Labuan Banks - Key Data

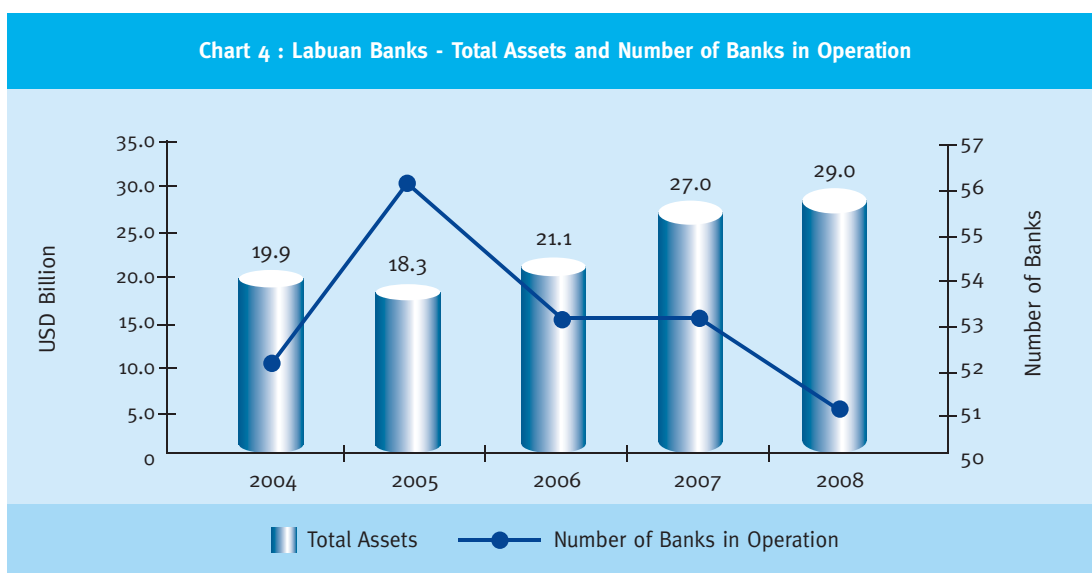
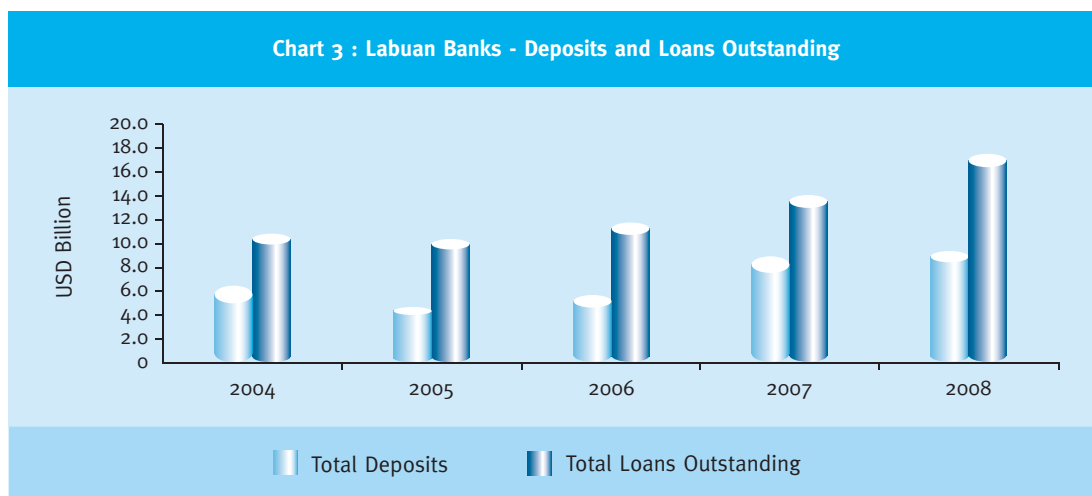
	As at end of			2008	
	2006	2007	2008	change (%)	share (%)
Number of Banks Approved	57	56	59	5.4	–
Number of Banks in Operation	53	53	51	(3.8)	–
Total Deposits (USD Million)	5,793.1	9,024.2	9,406.2	4.2	100.0
Malaysian-owned Banks	3,385.4	4,961.8	6,438.3	29.8	68.4
Foreign-owned Banks	2,407.7	4,062.4	2,967.9	(26.9)	31.6
Total Loans Outstanding (USD Million)	11,938.6	14,127.0	17,576.7	24.4	100.0
Malaysian-owned Banks	3,048.5	3,612.1	3,624.1	0.3	20.6
Foreign-owned Banks	8,890.1	10,514.9	13,952.6	32.7	79.4
Number of Employees	475	490	488	(0.4)	100.0
Malaysian-owned Banks	146	160	155	(3.1)	31.8
Foreign-owned Banks	329	330	333	0.9	68.2

Table 4 : Labuan Banks - Deposits and Loans Outstanding of Non-Bank Customers

	2006	2007	2008	2008
	USD Million			change (%)
Total Deposits	5,793.1	9,024.2	9,406.2	4.2
Residents	1,899.6	3,428.7	3,796.2	10.7
% share	32.8	38.0	40.4	
Non-Residents	3,893.5	5,595.5	5,610.0	0.3
% share	67.2	62.0	59.6	
Total Loans Outstanding	11,938.6	14,127.0	17,576.7	24.4
Residents	5,207.0	6,570.8	7,519.9	14.4
% share	43.6	46.5	42.8	
Non-Residents	6,731.6	7,556.2	10,056.8	33.1
% share	56.4	53.5	57.2	

Total deposits rose 4.2% to USD9.4 billion in 2008 from USD9.0 billion last year, of which USD5.6 billion or 59.6% (2007: 62.0%) of the deposits were from non-residents and the balance of USD3.8 billion or 40.4% (2007: 38.0%) were from residents.

In addition to providing loans and accepting deposits, the Labuan banks are also active in off-balance-sheet transactions such as commitments, guarantees and derivatives. As at end of 2008, the total off-balance-sheet items amounted to USD13.6 billion (2007: USD19.7 billion).



The lending activities to financing, insurance and business services sector increased significantly by 68.1% to USD3.8 billion in 2008. This was followed by transport, storage and communications sector which grew by 41.1%. In terms of distribution of loans, the transport, storage and communications sector accounted for the highest proportion amounting to USD3.9 billion or 22.4% of the total industry loans, followed by financing, insurance and business services sector (21.8%), manufacturing sector (12.5%), electricity, gas and water sector (7.9%) and construction sector (3.4%).

Table 5 : Labuan Banks - Direction of Lending by Sectors

Loans by Sectors	2006	2007	2008	2008	
	USD Million			change (%)	share (%)
Agriculture, Hunting, Forestry and Fishing	364.3	489.7	443.1	(9.5)	2.5
Mining and Quarrying	474.9	579.8	496.6	(14.3)	2.8
Manufacturing	1,779.1	2,205.8	2,200.5	(0.2)	12.5
Electricity, Gas and Water	1,417.4	1,966.4	1,381.0	(29.8)	7.9
Property of which:					
Real Estate	222.3	176.6	217.8	23.3	1.2
Construction	305.7	613.3	598.7	(2.4)	3.4
Housing	76.2	124.7	160.0	28.3	0.9
Wholesale and Retail Trade and Restaurants and Hotels	158.9	257.5	195.4	(24.1)	1.1
Transport, Storage and Communications	2,294.2	2,789.3	3,934.4	41.1	22.4
Financing, Insurance and Business Services	2,372.9	2,282.9	3,837.9	68.1	21.8
Other Services	0.0	5.6	13.7	144.6	0.1
Miscellaneous	2,472.7	2,635.4	4,097.6	55.5	23.3
Total	11,938.6	14,127.0	17,576.7	24.4	100.0

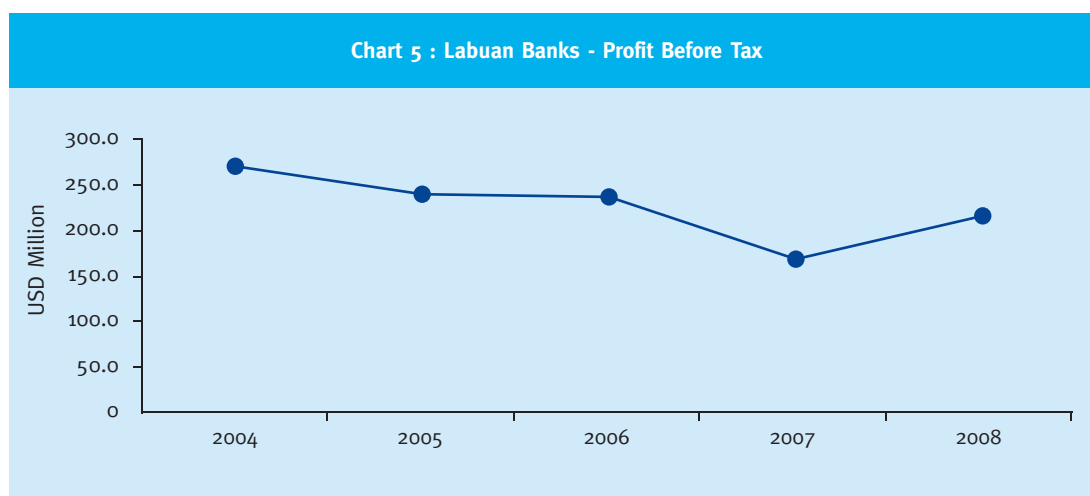
Note: Figures may not necessarily add up due to rounding up

The ratio of gross non-performing loans during the year under review continued to improve to 1.9% as compared to 2.0% in 2007. The reduction in the ratio was due to the increase in loan base coupled with prudent lending policies and sound credit risk management of Labuan banks.

Table 6 : Labuan Banks - Selected Indicators

	2006	2007	2008
Return on Assets (%)	1.1	0.6	0.8
Pre-tax Profit per Employee (USD'ooo)	503.6	346.9	446.3
Staff Cost per Employee (USD'ooo)	29.5	31.2	33.6
Average Assets per Bank (USD Million)	398.3	509.0	568.7
Pre-tax Profit (USD Million)	239.2	170.0	217.8
Total Assets (USD Million)	21,110.3	26,979.0	29,001.2
Staff Cost (USD Million)	14.0	15.3	16.4
Number of Employees	475	490	488
Number of Banks in Operation	53	53	51
Number of Banks Approved	57	56	59

Despite the global financial turmoil, the banking industry in Labuan IBFC recorded an increase of 28.1% in pre-tax profit to USD217.8 million (2007: USD170.0 million). The improvement in profitability of the Labuan banks was attributed to higher net interest margin and loan recoveries coupled with the increase in lending portfolios. The return on assets of the banks has accordingly improved to 0.8% (2007: 0.6%).



The total staff strength in the Labuan banking industry reduced to 488 as at end-2008 (2007: 490) due to rationalisation exercises by banks in Labuan IBFC. Malaysians comprised 87.1% of the total number of employees and the number of Malaysians at senior management and middle management levels were 44 and 84, respectively. Non-Malaysians holding senior and middle management positions reduced to 44 (2007: 45).

Table 7 : Labuan Banks - Employment

Year	Staff Position	Malaysian	Others	Total
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
2008	Senior Management	44	25	69
	Middle Management	84	19	103
	Supervisory Staff	122	7	129
	Others	175	12	187
	Total Staff	425	63	488

Labuan Investment Banks

As at end-2008, total number of approved investment banks increased to 15 (2007: 12), with nine banks in operation. The total assets of the Labuan investment banks declined to USD471.4 million (2007: USD684.9 million) impacting the average assets per bank which declined to USD52.4 million (2007: USD76.1 million). Nevertheless, return on assets increased to 5.0% in 2008 (2007: 2.7%) due to the increase in pre-tax profit by 24.5% to USD23.4 million in 2008 (2007: USD18.8 million).

Table 8 : Labuan Investment Banks - Selected Indicators

	2006	2007	2008
Return on Assets (%)	5.3	2.7	5.0
Pre-tax Profit per Employee (USD'000)	202.1	202.2	234.0
Staff Cost per Employee (USD'000)	22.1	21.5	22.0
Average Assets per Bank (USD Million)	40.1	76.1	52.4
Pre-tax Profit (USD Million)	19.2	18.8	23.4
Total Assets (USD Million)	361.1	684.9	471.4
Staff Cost (USD Million)	2.1	2.0	2.2
Number of Employees	95	93	100
Number of Banks in Operation	9	9	9
Number of Banks Approved	13	12	15

Non-interest income was the major revenue for Labuan investment banks, which constituted 88.7% (2007: 87.1%) of the total income. The non-interest income increased to USD46.9 million in 2008 (2007: USD35.1 million), resulting in a 31.3% rise in total income generated by the investment banks to USD52.9 million (2007: USD40.3 million).

Lending activities in 2008 were focused on the real estate sector, which represented 84.7% or USD29.3 million (2007: USD11.0 million) of the total loans outstanding, followed by the transport, storage and communications sector which accounted for 7.8% or USD2.7 million (2007: USD4.2 million).

Labuan Insurance

As at 31 December 2008, the total number of approved licensees to carry on insurance and insurance-related business in Labuan IBFC increased to 140 (2007: 130). During the year, 16 new licences were approved, almost a two-fold increase from year 2007. The new licensees include two reinsurers, two insurers, two captives, one underwriting manager and nine insurance brokers. However, six licensees ceased operation and surrendered their licences (two captives, two brokers, one reinsurer and one underwriting manager).

In terms of country of origin, 67 insurance and insurance-related licensees originated from the Asia-Pacific region, comprising Malaysia (34), Japan (10), Singapore (8), Hong Kong (5), Australia (4), Indonesia (4), Korea (1) and India (1). The remaining licensees were from Europe (44), the United States of America, the Caribbean (21) and Middle East (8).

Table 9 : Labuan Insurance - Number and Type of Insurance and Insurance-Related Licences

Type of Licence	2006	2007	2008
Life	1	1	2
General	4	5	6
Composite	2	2	2
Reinsurance	28	29	30
Captive	29	32	32
Insurance Manager	6	6	6
Underwriting Manager	11	11	11
Broker	42	44	51
Total	123	130	140

With the increase in the number of licensees, total capitalisation of the industry grew by 8.3% to USD633.7 million in 2008 (2007: USD585.3 million). Total foreign shareholdings improved to 69.5% (2007: 66.5%) of the total industry capitalisation.

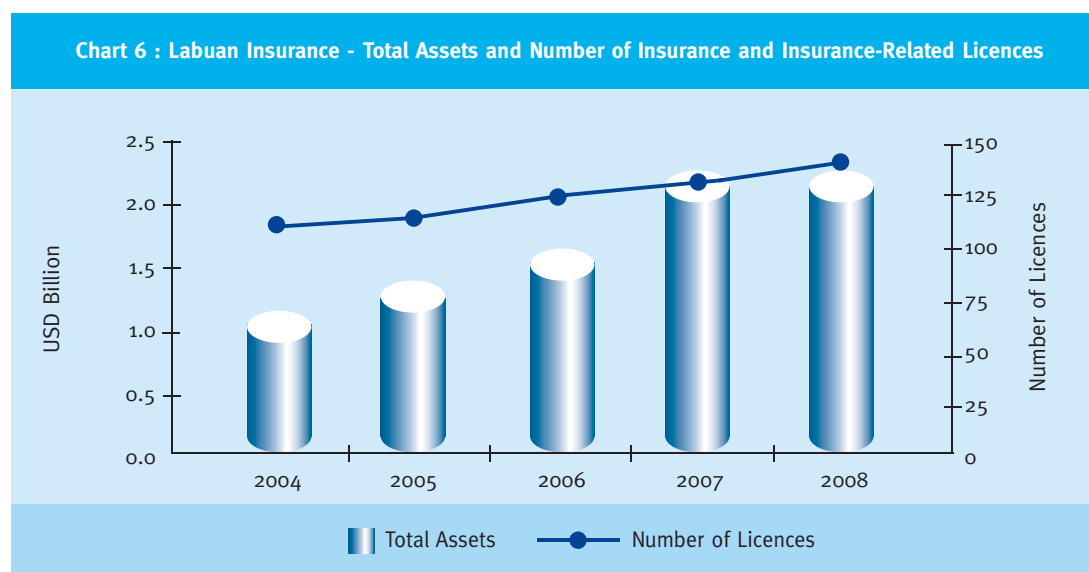
Table 10 : Labuan Insurance - Total Capitalisation

Held By	2006		2007		2008	
	USD'ooo	share (%)	USD'ooo	share (%)	USD'ooo	share (%)
Malaysian	197,304	42.4	196,199	33.5	193,150	30.5
Others	268,163	57.6	389,131	66.5	440,539	69.5
Total	465,467	100.0	585,330	100.0	633,689	100.0

The industry's total assets remained at USD2.1 billion as at end-2008. In terms of composition of the assets, fixed deposits and money market instruments remained the major asset type of the industry, amounting to USD1.1 billion (51.6% of the total assets). Other assets include amount due from ceding/related companies (12.6%), investments (9.2%), cash and bank balances (7.6%), fixed assets (0.5%) and others (18.5%).

Table 11 : Labuan Insurance - Total Assets

Assets	2006		2007		2008	
	USD'ooo	share (%)	USD'ooo	share (%)	USD'ooo	share (%)
Fixed Assets	8,502	0.6	8,386	0.4	10,538	0.5
Due from Ceding/Related Companies	215,753	14.7	296,689	13.9	264,641	12.6
Fixed Deposits/Money Market	714,254	48.7	965,119	45.2	1,081,670	51.6
Cash and Bank Balances	90,888	6.2	151,726	7.1	159,195	7.6
Investments	177,445	12.1	173,894	8.1	192,926	9.2
Others	259,099	17.7	541,537	25.3	387,069	18.5
Total	1,465,941	100.0	2,137,351	100.0	2,096,039	100.0



For the first time in the history of Labuan IBFC, total gross premiums for Labuan IBFC surpassed USD1.0 billion in 2008, (2007: USD919.2 million) an increase of 11.8% compared to the same period last year. Non-resident business continued to have a higher share at 57.0% (2007: 62.0%) with the remaining 43.0% from Malaysia. This is in line with the objective to encourage more “out-out” business from Labuan IBFC. Except for the motor sector, other sectors registered growth in gross premiums. The highest growth of 36.8% was recorded in the other classes sector which include liability insurance, energy and specialised classes (pollution, terrorism and financial line, casualty, accident and health, aviation and professional indemnity). In terms of market share, the fire sector remained the largest contributor with 42.8% (2007: 43.8%), followed by other classes sector with 19.9% (2007: 16.2%) and the engineering sector with 16.7% (2007: 14.1%).

Table 12 : Labuan Insurance - Distribution of Gross Premiums

Year	Total		Fire	Marine	Engineering	Motor	Other Classes	Total
	Malaysian	Others						
	USD'ooo							
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
2008	442,201	585,116	440,058	140,699	171,661	70,790	204,110	1,027,318
	change (%)							
2006	45.1	55.0	25.3	50.8	134.8	(6.5)	108.2	50.2
2007	15.5	62.0	52.6	20.2	18.6	181.7	2.2	40.3
2008	25.1	3.4	9.3	29.7	32.7	(45.3)	36.8	11.8
	share (%)							
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
2008	43.0	57.0	42.8	13.7	16.7	6.9	19.9	100.0

Note: Figures may not necessarily add up due to rounding up

Chart 7 : Labuan Insurance - Distribution of Gross Premiums

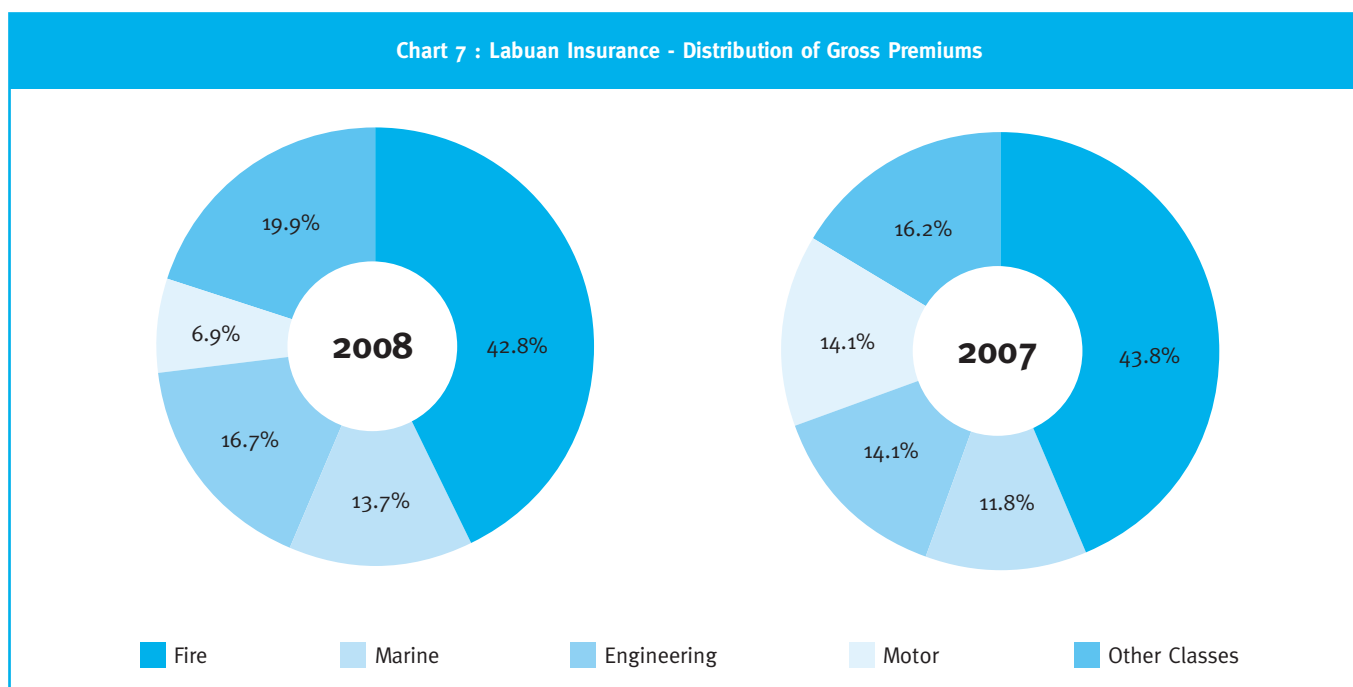


Table 13 : Labuan Insurance - Distribution of Net Premiums

Year	Total		Fire	Marine	Engineering	Motor	Other Classes	Total
	Malaysian	Others						
	USD'ooo							
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
2008	294,672	464,264	338,944	107,049	89,572	64,972	158,399	758,936
	change (%)							
2006	8.1	40.3	16.2	30.8	30.8	3.1	56.2	24.7
2007	19.2	59.9	35.2	16.5	22.2	164.7	37.1	42.7
2008	23.7	5.8	16.4	30.1	32.9	(41.3)	26.2	12.1
	share (%)							
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
2008	38.8	61.2	44.7	14.1	11.8	8.6	20.9	100.0

Note: Figures may not necessarily add up due to rounding up

The overall net retention (net premium over gross premium) for the industry in 2008 remained stable at 73.9% (2007: 73.7%). The motor sector continued to record the highest retention by the industry at 91.8% (2007: 85.5%), followed by other classes sector at 77.6% (2007:84.2%) and fire sector at 77.0% (2007: 72.3%).

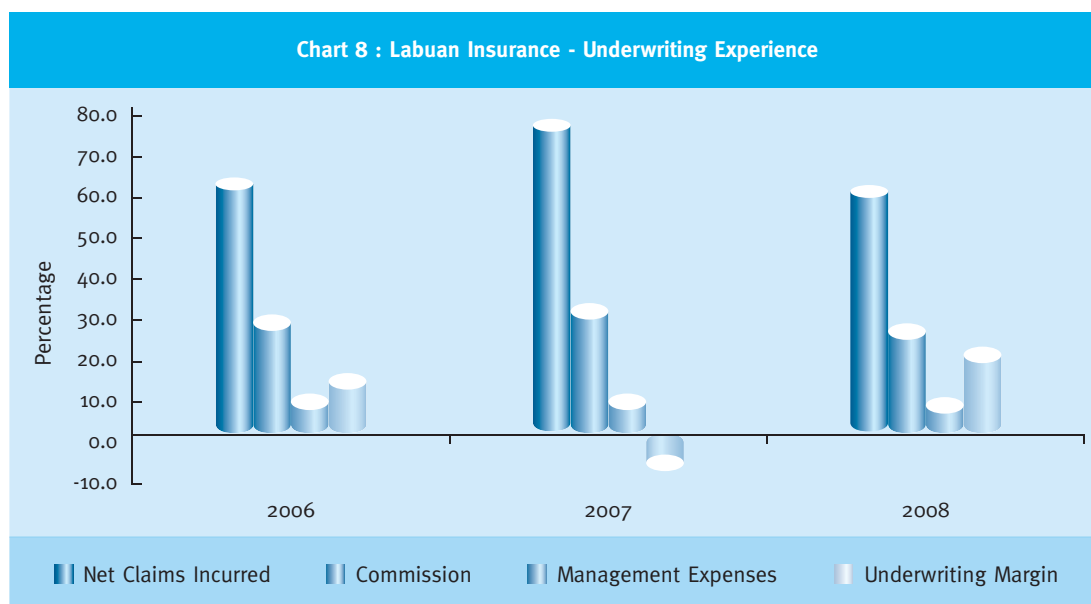
Table 14 : Labuan Insurance - Net Retention Ratio (%)

Year	Malaysian	Others	Fire	Marine	Engineering	Motor	Other Classes	Total
2006	65.4	78.6	81.6	78.2	50.5	91.0	62.7	72.4
2007	67.4	77.5	72.3	75.9	52.1	85.5	84.2	73.7
2008	66.6	79.3	77.0	76.1	52.2	91.8	77.6	73.9

The ratio of net claims incurred to earned premium income (gross premiums less cessions and reserves for unexpired risks) improved significantly to 56.5% in 2008 (2007:72.9%) during the year under review. The increase of 25.3% in total earned premium income to USD757.3 million in 2008 (2007: USD604.5 million) led to the turnaround in the underwriting margin of the industry to a profit of USD128.8 million in 2008 from a loss of USD33.6 million in 2007.

Table 15 : Labuan Insurance - Underwriting Experience

Year	Earned Premium Income	Net Claims Incurred		Commission		Management Expenses		Underwriting Margin	
	USD'000	USD'000	ratio (%)	USD'000	ratio (%)	USD'000	ratio (%)	USD'000	ratio (%)
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)
2008	757,318	427,894	56.5	165,537	21.9	35,053	4.6	128,834	17.0



In regard to investment-linked insurance products, 198 new policies amounting to USD3.8 million were written in 2008 (2007: 252). The licensing of a new life insurer from Europe is expected to further spur the life business activities in Labuan IBFC.

Table 16 : Labuan Insurance - Statistics on Investment-Linked Policies

Year		New Policies		Policies in Force	
		Malaysian	Others	Malaysian	Others
2006	No. of Policies	13	1	307	99
		USD'000			
	Sum Insured	790	256	9,493	869
	Single Premiums	17	19	8,260	723
2007	No. of Policies	252	–	483	71
		USD'000			
	Sum Insured	5,101	24	12,625	569
	Single Premiums	4,548	5	11,205	548
2008	No. of Policies	196	2	630	52
		USD'000			
	Sum Insured	3,667	117	13,200	314
	Single Premiums	3,826	144	14,588	351

The total gross premiums of the captive insurance industry further grew by 47.0% to USD187.0 million in 2008 (2007: USD127.1 million). As at end of 2008, two (2007: four) new captive insurers were approved, while two existing licensees ceased operations, resulting in the total number of captive insurers in Labuan IBFC to remain at 32.

Table 17 : Labuan Insurance - Distribution of Gross Premiums for Captive Business

Year	Malaysian	Others	Fire	Marine	Engineering	Other Classes	Total
	USD'000						
2006	80,695	31,017	9,693	11,223	60,993	29,803	111,712
2007	96,938	30,174	11,936	14,455	69,928	30,792	127,111
2008	125,517	61,389	31,019	21,704	101,063	33,120	186,906
	change (%)						
2006	83.1	200.5	96.4	3,125.0	83,452.1	(39.2)	105.4
2007	20.1	(2.7)	23.1	28.8	14.6	3.3	13.8
2008	29.5	103.5	159.9	50.1	44.5	7.6	47.0
	share (%)						
2006	72.2	27.8	8.7	10.0	54.6	26.7	100.0
2007	76.3	23.7	9.4	11.4	55.0	24.2	100.0
2008	67.2	32.8	16.6	11.6	54.1	17.7	100.0

In the insurance broking sector, the total premiums handled increased by 28.7% to USD383.0 million in 2008 (2007: USD297.6 million), of which, 76.4% (2007: 81.0%) were in respect of general insurance business. The general insurance premiums transacted by Labuan insurance brokers were for reinsurance cessions placed with Malaysian insurers (39.5%), overseas insurers (36.8%) and Labuan insurers (23.7%). For life insurance business, all were in respect of direct business placed with overseas insurers, representing 23.6% of the total premiums handled in 2008.

Table 18 : Labuan Insurance - Premiums Placement by Insurance Brokers

	2006	2007	2008
General Business	USD'000		
Labuan	58,817	67,224	69,280
Malaysia	79,723	93,499	115,718
Others	68,017	80,500	107,699
Sub Total	206,557	241,223	292,697
Life Business	USD'000		
Labuan	–	–	–
Malaysia	–	–	–
Others	51,319	56,405	90,329
Sub Total	51,319	56,405	90,329
Grand Total	257,876	297,628	383,026

Due to the higher volume of premiums handled, the total amount of brokerage fee earned by the Labuan insurance broking sector grew by 42.1% to USD24.0 million (2007: USD16.9 million). Brokerage fee earned from general insurance business constituted 73.5% of the total brokerage income consonant with the proportion of general insurance premiums handled during the year.

Table 19 : Labuan Insurance - Brokerage Fees Earned by Insurance Brokers

	2006	2007	2008
General Business	USD'000		
Labuan	2,655	3,073	3,389
Malaysia	3,737	3,981	5,698
Others	3,435	4,387	8,599
Sub Total	9,827	11,441	17,686
Life Business	USD'000		
Labuan	–	–	–
Malaysia	–	–	–
Others	3,944	5,488	6,363
Sub Total	3,944	5,488	6,363
Grand Total	13,771	16,929	24,049

The total number of employees in the insurance industry increased to 567 (2007: 536) comprising 431 Malaysians and 136 foreign staff.

Table 20 : Labuan Insurance - Employment

Year	Staff Position	Malaysian	Others	Total
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
2008	Senior Management	82	78	160
	Middle Management	77	36	113
	Supervisory Staff	108	10	118
	Others	164	12	176
	Total Staff	431	136	567

Labuan Leasing

Labuan leasing continued to be the fastest growing industry in Labuan IBFC in 2008 in terms of new approvals granted. The number of leasing companies grew by 14.4% to 119 companies in 2008 (2007: 104), which includes 27 new companies established during the year. However, 12 Labuan leasing companies ceased operations due to the expiration of the lease agreements. Most of the Labuan leasing companies were established as special purpose vehicles to facilitate intra-group leasing transactions.

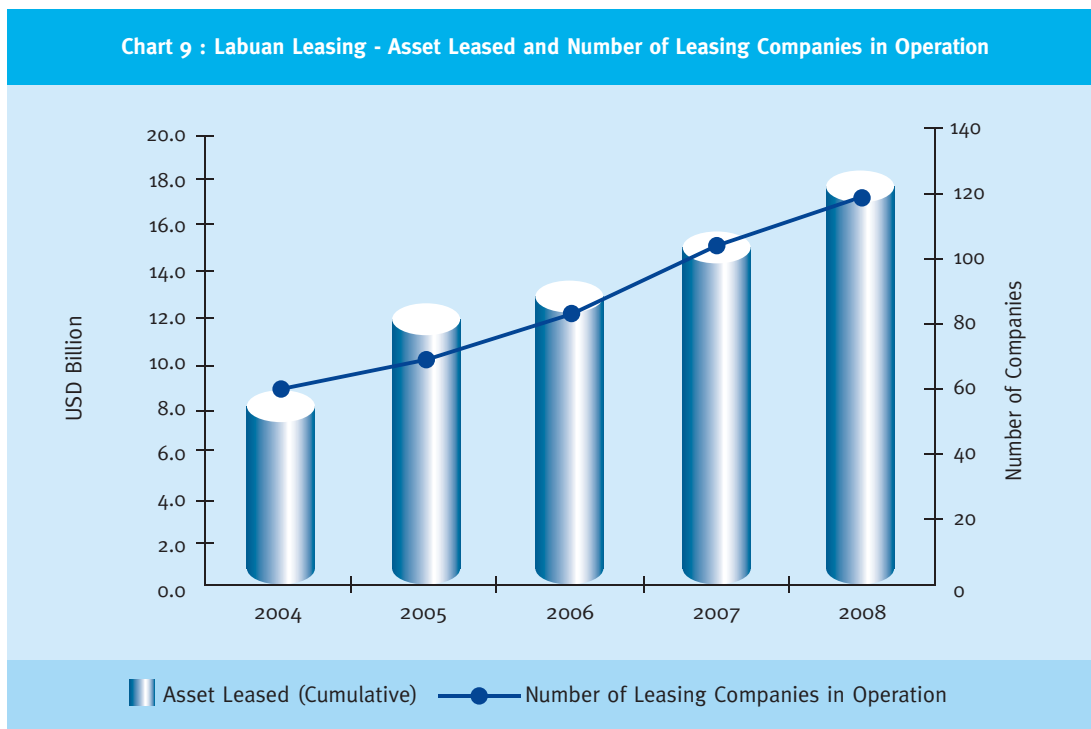
The cumulative amount of assets leased grew by 22.9% to USD17.4 billion in 2008 (2007: USD14.1 billion), mainly contributed by the lease of vessels and rigs, in tandem with the high demand for vessels to service the expanding oil and gas industry. The majority of companies carrying out Labuan leasing business were from ASEAN and Asia-Pacific region, which constituted 48.8% of the total number of companies. This was followed by the Americas and Caribbean region with 29.3%.

The oil and gas industry continued to dominate the leasing business activities followed by aviation sector. The number of Labuan leasing entities involved in the oil and gas industry increased to 65 (2007: 59), while entities venturing into the aircraft industry increased to 50 companies (2007: 40).

Table 21 : Labuan Leasing - Growth

	2004	2005	2006	2007	2008
Number of Leasing Companies in Operation	60	69	83	104	119
	change (%)				
	20.0	15.0	20.3	25.3	14.4
Asset Leased (Cumulative)	USD Million				
	7,139	10,913	11,908	14,130	17,362
	change (%)				
	14.2	52.9	9.1	18.7	22.9

Chart 9 : Labuan Leasing - Asset Leased and Number of Leasing Companies in Operation

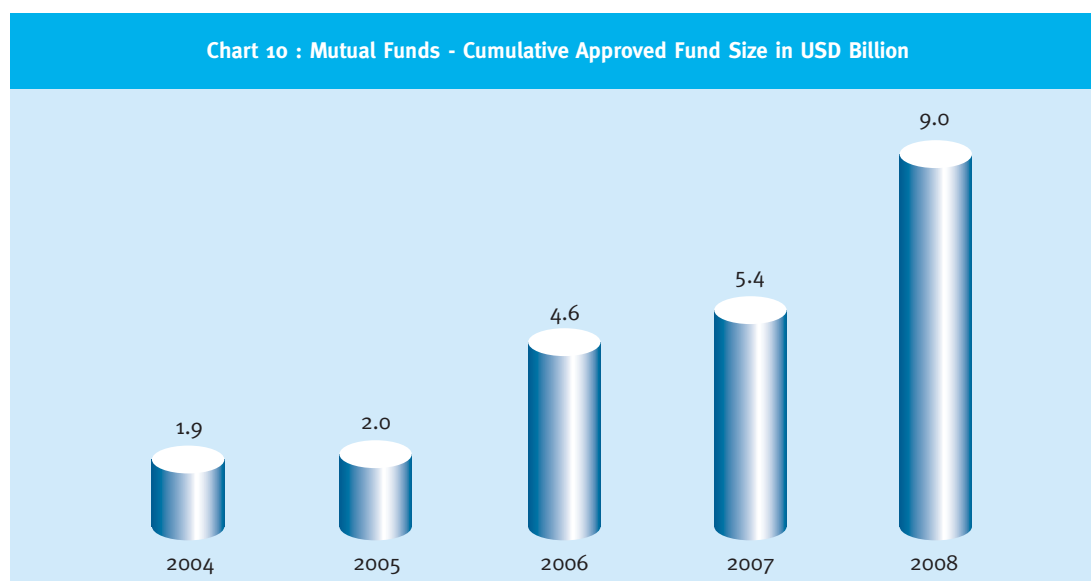


Labuan Fund Management

In 2008, private funds recorded a significant growth with 10 new approvals granted (2007: five), including five Shariah compliant private funds. The total fund size approved for year 2008 amounted to USD3.7 billion (2007: USD0.7 billion). During the year under review, one private fund surrendered its certificate bringing the total number of registered private funds to 40 (2007: 31) as at end-2008, while the number of public funds remained at two. The cumulative approved size of the private funds increased by 69.2% to USD8.9 billion (2007: USD5.3 billion), while the approved size of public funds remained at USD130.0 million.

Table 22 : Mutual Funds - Cumulative Approved Fund Size

	2004	2005	2006	2007	2008
	USD Million				
Private Fund	1,725	1,900	4,484	5,250	8,884
Public Fund	132	130	130	130	130
Cumulative Approved Fund Size	1,857	2,030	4,614	5,380	9,014



The total number of fund management companies stood at 21 following approval granted to a German-based company to operate fund management business in Labuan IBFC.

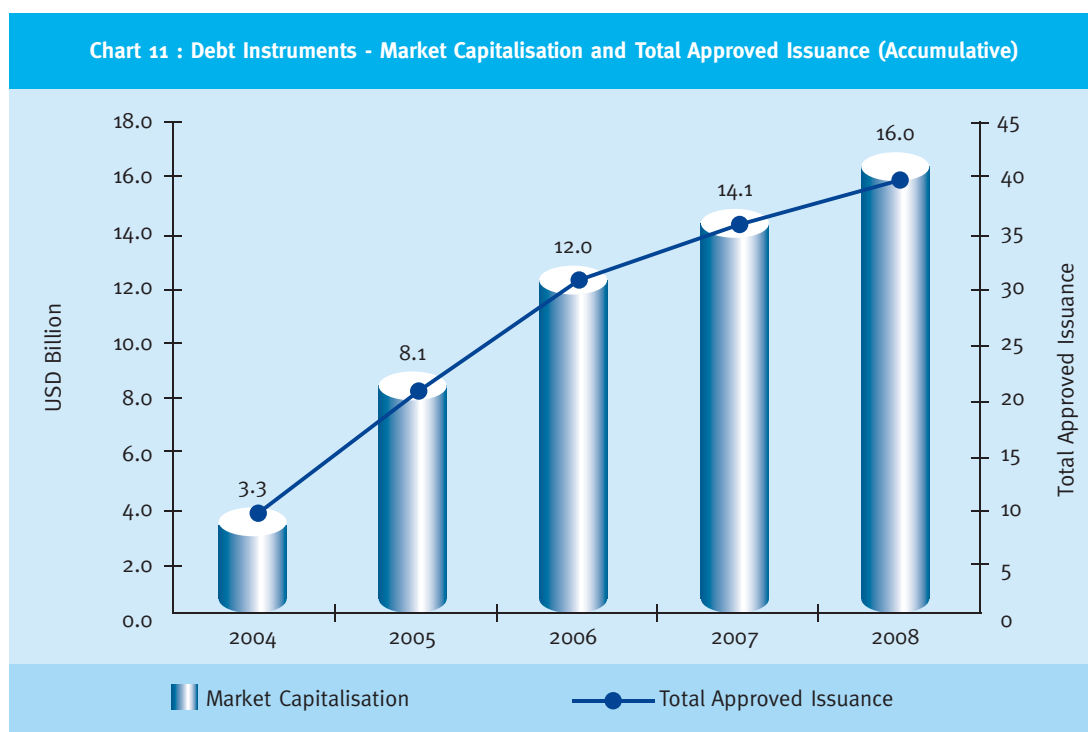
Debt Issuance Activities

Due to the current market conditions, many potential issuers are cautious on the appropriate timing to raise funds through the capital market. The debt issuance activities in Labuan IBFC only saw four new issuances in 2008 (2007: five), bringing the total number of special purpose vehicles approved by LOFSA to 39 (2007: 35).

The total market capitalisation of approved debt instruments for the year 2008 was USD2.0 billion (2007: USD2.1 billion), of which USD1.2 billion were Shariah compliant debt instruments. To facilitate the offer of debt securities to investors, Labuan banks and investment banks were appointed as managers and bookrunners for the issuances.

Table 23 : Debt Instruments - Market Capitalisation and Total Approved Issuance (Accumulative)

	2004	2005	2006	2007	2008
Total Approved Issuance	9	20	30	35	39
Market Capitalisation (USD Million)	3,320	8,084	11,974	14,074	16,034



Labuan International Financial Exchange

The Labuan International Financial Exchange (LFX) recorded two new listings in 2008, bringing the total number of active listings to 30. The new listings included the third exchangeable sukuk issued by Khazanah Nasional Berhad via its Labuan incorporated SPV, Paka Capital Ltd. The market capitalisation of LFX stood at USD15.6 billion as at end-2008.



Islamic Financial Services

There were six full-fledged Islamic banks including one new entrant, a wholly-owned subsidiary of a leading Islamic bank in Indonesia. The year 2008 also witnessed greater interest from European and Middle Eastern banks to undertake Islamic banking whereby two conventional banks have applied to set up Islamic banking windows. The total assets of the Labuan Islamic banking industry encompassing Islamic banks and Islamic window of conventional Labuan banks, amounted to USD957.3 million (2007: USD1,288.9 million). Total deposits of Islamic banks stood at USD337.3 million (2007: USD250.4 million), while total financing outstanding was USD231.8 million (2007: USD258.9 million), of which 90.2% were extended to non-residents.

The retakaful industry recorded positive growth in 2008. This is evident from the increase in gross contributions amounting to USD162.3 million (2007: USD109.5 million), an increase of 48.2%. The increase in gross contributions was attributed to the growing number of players who ventured into retakaful activities in Labuan IBFC through the establishment of retakaful windows. As of December 2008, there were four full-fledged retakaful companies and nine retakaful windows in Labuan IBFC.

Five new Islamic private funds were established in 2008 with a total fund size of USD1.5 billion increasing the total Islamic private fund size to USD2.8 billion (2007: USD1.4 billion). The Islamic private funds size represents one third of the total private funds size in Labuan of USD8.9 billion as at 31 December 2008. The diversity in the portfolio of the funds invested reflected the emergent role of Labuan IBFC in facilitating Shariah compliant investment activities in the region.

Supervision of Labuan Financial Institutions

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of Terrorism Initiative

Systematic and
approach ensures
financial system
and



dynamic **supervisory**

Labuan IBFC's

remains safe

sound

Supervision of Labuan Financial Institutions

The financial crisis has underscored the need for supervisory and regulatory authorities worldwide to put in place more effective and comprehensive measures to prevent systemic failure of financial institutions. These measures include having an adequate mechanism to assess systemic risk, mitigate its related risks and address them when they occur.

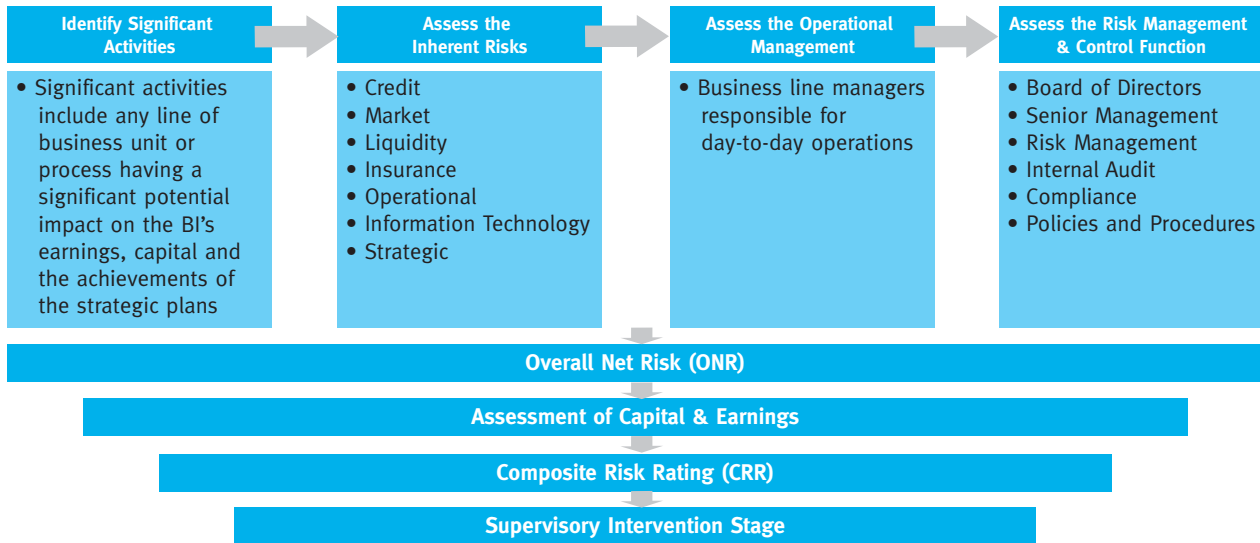
In Labuan IBFC, LOFSA's prudential approach to supervision continues to evolve in response to the changing landscape and maturity of the financial sector. The Risk-Based Supervisory Framework (RBSF) for the supervision of financial institutions was further enhanced to facilitate early identification of emerging risks and provide a more structured and forward-looking approach to assess financial institutions' risk profiles and risk management systems. The risk profiles of the entities are monitored through various means, including their periodic and ad-hoc submissions of information, active supervisory visits and prudential meetings with their management as well as internal auditors, on-site examinations and continuous off-site surveillance. RBSF is complemented by other oversight functions that LOFSA performs to achieve its supervisory objectives. These functions include approval processes, prudential requirements, regulatory compliance and enforcement actions.

The framework provides a systematic and consistent approach to help determine supervisory priorities. It also facilitates the appropriate concentration of supervisory scrutiny on weaker institutions that are of higher risk. The RBSF is applied to all licensed and regulated financial institutions in Labuan IBFC, such as banking and investment banking institutions, insurance and insurance-related companies, trust companies and capital market entities, to ensure that risks are addressed in a consistent manner across the financial sector.

The risk assessment process starts by identifying significant activities. Within each significant activity, LOFSA assesses the key inherent risks before assessing the internal control factors that are put in place to manage and control these inherent risks. The assessment covers an institution's risk identification, measurement, management and control processes, day-to-day operational management, internal audit function and compliance and independent oversight of those processes. In this regard, the responsibilities of the board and senior management for the oversight and governance are crucial to improve the institutions' risk management and control function. Financial institutions engaging in more complex and high risk business activities must ensure that their risk management capabilities commensurate with the risk appetite.

Overall Net Risk (ONR) is generated based on the assessment of oversight, governance and the risk profiles of significant activities. The ONR reflects the effectiveness of risk control factors and oversight and governance in mitigating the inherent risks of the financial institution's activities. The Composite Risk Rating (CRR) is derived from an assessment of the institution's overall risk profile, after considering the impact of capital and earnings on its ONR. It reflects the ability of the institution to mitigate its inherent risk, and the extent of capital and earnings support available to the institution to absorb unexpected losses. The CRR provides the basis on the appropriate level of LOFSA's supervisory intervention and actions.

Chart: Risk-Based Supervisory Framework



At the supervisory intervention stage, the scope and intensity of supervision varies according to the level of ratings of institutions. The variation is mainly in terms of the frequency of on-site examinations and the nature of the supervisory oversight of the financial institution. In general, the supervisory oversight of lower-rating institutions (i.e. with low risk profiles) places greater reliance on off-site supervision, prudential and supervisory meetings. LOFSA also leverages on the work of internal auditors to complement its supervision of these institutions. Greater supervisory attention will be accorded to entities that are systemically important and/or have higher risk profiles.

Banking Institutions

Based on LOFSA's supervisory assessments conducted under the RBSF, the banking institutions in Labuan IBFC remained sound. The implementation of the Basel II Capital Framework by most of the international banks operating in Labuan IBFC, had further strengthened the risk management standards of the banks concerned. LOFSA continues to support banking institutions in Labuan IBFC to move towards meeting the standards set by the Basel Committee on Banking Supervision.

The sound position of Labuan banking industry was reflected in the performance for the year 2008. The banks continued to chalk positive growth with total assets grew by 7.5%. Loans and advances remained the main contributor to the composition of assets of the Labuan banking industry with 60.6% share. The earnings performance saw a considerable improvement of 28.2% as a result of lower interest expense on deposits as well as substantial amount of bad debts recovered. The return on assets improved from 0.6% to 0.8% in tandem with the profit growth. In addition, the net NPL ratio reduced from 0.7% to 0.6% although there was an increase in the amount of NPL by USD67.7 million. The capitalization of the banking system was strong with risk-weighted capital ratio and core capital ratio stood at 15.9%.

Moving forward, the global prospects of Labuan banking business are expected to be weighed down by the prolonged financial turmoil originating from the US sub-prime mortgage crisis. LOFSA foresees that credit approval rates may experience a slight reduction (approximately 10.0% to 15.0%) as banks will adopt a more cautious stance and tend to apply more stringent underwriting standards given the current economic scenario. The supervisory focus for 2009 will be prioritised to pro-actively monitor the emerging risks in the banking industry through vigilant supervision by ensuring that banking institutions are adequately managing their risks in line with the supervisory expectations.

Insurance Institutions

The supervisory assessments as at end-2008 affirmed that the insurance institutions in Labuan IBFC remained healthy. The solvency position of the insurance industry remained at a comfortable level with an aggregate solvency surplus of USD627.7 million (on an unaudited basis) and the margin of solvency of five times above the minimum regulatory requirement.

Profitability of the insurance industry improved with preliminary unaudited pre-tax profits amounting to USD132.9 million (2007: USD51.7 million). From the general insurance business perspective, the underwriting margin increased significantly by 17.0% in 2008 (2007: -5.6%), mainly attributed to the increase in premiums written and lower claims experience during the year. The potential impact from the global financial market volatility to the insurance industry also remained low as the investment portfolio accounted for only 9.5% of the total industry's assets.

Apart from that, the sub-prime crisis has had little impact on the operations and solvency of the Labuan insurance companies as at end December 2008. There were no direct exposures of Labuan insurance companies in terms of holding securities linked to US sub-prime mortgages and associate derivatives.

The global economic environment in 2009 is expected to be challenging for the insurance industry. LOFSA foresees that the year 2009, the insurance companies to sustain the amount of total premiums written achieved in 2008. Furthermore, the insurance companies are expected to adopt a stringent risk selection and discipline underwriting to preserve its capital given the continued softening of primary and reinsurance markets as well as current economic turmoil.

Regulatory Initiatives

The promotion of high standards of governance and risk management remained an important priority in 2008. The adoption of the fundamental concepts of responsibility, accountability and transparency plays an essential role in ensuring that financial institutions are managed in a safe and sound manner with an appropriate balance between risk-taking activities and business prudence. In this regard, the Guidelines on Corporate Governance for Offshore Banks (the Guidelines) were issued in November 2008.

The Guidelines, which came into effect on 1 January 2009, is applicable to all Labuan banks and Labuan investment banks licensed under the Offshore Banking Act 1990, operating as subsidiaries and branches. The focus of the Guidelines is on the oversight role of the board and senior management who are responsible for ensuring that activities undertaken are conducted in a safe and sound manner, and in line with high standards of professionalism and good corporate governance.

Amongst the salient features of the Guidelines are:

- All Labuan banks are expected to have an Audit Committee (AC) that is independent from the management. The AC shall be responsible for providing independent oversight over a Labuan bank's internal and external audit functions as well as internal controls and for ensuring checks and balances within the Labuan bank;
- The composition and responsibility of the AC are guided by the Guidelines on Minimum Audit Standards for Internal Auditors of Labuan Banks; and
- The board should establish board committees such as Risk Management Committee, Compensation Committee, Nominating Committee and Compliance Committee. Other committees could also be formed for specific aspects of business to ensure the board's effectiveness in executing its functions.

Labuan banks are encouraged to employ various risk management practices outlined under the Basel Core Principles with emphasis on (but not limited to) matters such as credit risk, market risk, operational risk, liquidity risk, control environment and business conduct, and internal control.

Anti-Money Laundering/Counter Financing of Terrorism Initiative

For the year under review, LOFSA, which enforces stringent regulations on Anti-Money Laundering/Counter Financing of Terrorism Initiative (AML/CFT) which are fully compliant with Financial Action Task Force (FATF) 40+9 Recommendations, did not encounter any activity relating to AML/CFT. This was a testament to the effectiveness of the regulatory and legal framework instituted since the establishment of Labuan IBFC in 1990, in particular, by adopting and implementing continuous measures designed to counter the use of the Labuan financial system by criminals.

LOFSA continues to be vigilant in combating AML/CFT in Labuan IBFC and also to enhance staff knowledge and skill. In this regard, LOFSA staff has successfully completed the United Nations Office of Drugs and Crime's Computer Base Training Programme, which was jointly organised by Bank Negara Malaysia as at end-2008. This interactive training module was specially designed to provide a thorough understanding on the activities of money laundering and measures to prevent and minimise money laundering. In addition, a few of LOFSA officers have been certified as Financial Investigator under the Certified Financial Investigator Programme organised by the Financial Intelligence Unit of Bank Negara Malaysia.

As part of its capacity building programme, LOFSA had also provided technical assistance to Labuan financial institutions to enhance their staff awareness on AML/CFT. To further promote AML/CFT compliance, LOFSA established a compliance networking group to facilitate communications among the compliance officers of Labuan financial institutions and with LOFSA. In addition, several Labuan financial institutions, with the full support of LOFSA, have also taken the initiative to introduce a sophisticated information system to enhance their due diligence measures.

As part of the overall anti-money laundering initiative at national level, LOFSA remained committed to inter-agency cooperation through active participation in the National Co-ordination Committee to Counter Money Laundering (NCC) on AML/CFT. The NCC comprising 15 Ministries and Government agencies in Malaysia, was set up in 2000 with the objective to achieve a coordinated approach towards ensuring the effective implementation of national AML/CFT measures.

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Delivering
in becoming
international business



our objectives
Asia's premier
and financial centre

Developmental Review

Repositioning of Labuan as an International Business and Financial Centre

The year 2008 was marked by an economic slowdown and global credit squeeze, which led to the collapse of a number of large global investment banks and the sale, merger, liquidation and nationalisation of a number of financial institutions. The credit turmoil which initially adversely affected the developed countries had spread to emerging and developing countries. Despite this, the business in Labuan IBFC on the whole remained stable. The positioning of Labuan as an international business and financial centre, progressed smoothly and was further strengthened during 2008. One of the more significant initiatives that was implemented by LOFSA included the rebranding of Labuan as an International Business and Financial Centre (IBFC).

The year 2008 also witnessed a significant realisation of the recommendation of the repositioning of Labuan IBFC. The Repositioning Study had identified 28 recommendations that were categorised into five main clusters, namely Marketing; Tax; Legal; Information and Communication Technology and Organisation; and Others. These recommendations are strategic initiatives that are significant for Labuan IBFC to move forward as a jurisdiction of choice for large and multi-national institutions intending to establish their presence in the Asia-Pacific region.

Realisation of the Strategic Initiatives

Marketing

LOFSA recognises the importance of having a marketing function that is focused, and separated from its regulatory and supervisory functions. In this regard, a significant initiative under the Repositioning Study is the establishment of Labuan IBFC Incorporated Sdn. Bhd. (Labuan IBFC Inc) in May 2008 to conduct the marketing for Labuan IBFC. The roles and functions of Labuan IBFC Inc include the following:

- a. To conduct systematic marketing for Labuan IBFC with potential investors/financial institutions locally and overseas;
- b. To conduct conferences and seminars held in Malaysia and overseas;
- c. To participate at exhibitions, seminars and conferences relevant for the promotion of Labuan IBFC; and
- d. To undertake market research and intelligence.

With the establishment of Labuan IBFC Inc, a more concerted and targeted effort to promote Labuan as an international business and financial centre moves into full swing, thus enabling LOFSA to focus on its regulatory and supervisory functions.

Another important achievement under the marketing cluster was the adoption of a competitive and differentiated pricing structure. The annual fee payable by Labuan companies was reduced from RM2,600 to RM1,500, and is applicable for Labuan companies incorporated on or after 1 July 2008. LOFSA had also waived payment on the lodgement fees for forms/documents submitted by Labuan companies. This would entice more new companies to be established in Labuan IBFC as well as retain existing companies.

Tax Framework

Under the more flexible tax framework for Labuan IBFC, Labuan companies can now opt to pay tax under the Income Tax Act 1967, while at the same time continue to benefit from Labuan IBFC's other tax incentives. The election to be taxed under the Income Tax Act 1967 was made effective in July 2008. This would give Labuan companies more flexibility to structure their business transactions efficiently, and to create a more favourable tax environment in Labuan IBFC for investors.

Legal Framework

The major project undertaken by LOFSA in 2008 is the holistic review of the existing legislative framework to enhance the competitiveness of Labuan IBFC. The comprehensive review

of the legal framework is aimed at providing Labuan with an updated framework that is flexible, facilitative and frictionless in line with the goal of repositioning Labuan IBFC. Among the major changes proposed under the review are amendments to the Offshore Companies Act 1990 that seek to replace the current requirement of Labuan companies in having to obtain LOFSA's prior approval to engage in dealings with Malaysian residents with a notification only. The provisions on share premium accounts and the requirement for minimum share capital would also be removed in line with the concept of no par value shares, thus providing greater flexibility for the company to structure their capital. Other requirements relating to alteration and reduction of share capital would also be simplified and made less stringent. In addition, the restriction on Labuan companies to hold majority interests or obligations in Malaysian entities would also be uplifted to complement LOFSA's aspiration to encourage more investment-holding companies in Labuan.

As regard to the Labuan Offshore Trust Act 1996, the proposed amendments would also introduce provisions to enable a shareholder of a Labuan company to establish a trust to hold shares in any company and to enable the management of the company to be carried out by the directors without any power of intervention by the trustee.

Another major shift proposed under the review is the consolidation of various existing provisions relating to financial services and products regulated or registered in Labuan IBFC under a new Labuan Financial Services and Securities Act. The relevant provisions are currently embedded in several laws such as the Offshore Banking Act 1990, Offshore Insurance Act 1990, Labuan Offshore Securities Industry Act 1998 and Labuan Trust Companies Act 1990 to cater for the ever growing market demand. The consolidation is intended to streamline all of the existing provisions and to preserve consistency in the legal framework.

Among the changes to the Labuan Offshore Trust Act 1990 were the introduction of more facilitative and flexible provisions for the establishment of private funds. However, additional requirements and statutory duties would be imposed on public funds to accord higher investors' protection.

Amendments are also proposed for the Labuan Offshore Business Activities Tax Act 1990 to streamline and provide clarity on tax issues, including providing clarification on the definitions and tax treatments relating to the corresponding changes proposed on the other Labuan laws.

Several new legislations are also proposed to further enhance the business opportunities in Labuan IBFC. The proposed Labuan Foundations Act seeks to promote foundation as a new vehicle to cater for investors originating from countries practicing civil law. Foundation, which is akin to trust concept, was initially established in other jurisdictions to ensure safe transition of assets to the family's beneficiaries. The concept of foundation has since evolved into an effective asset protection and wealth management vehicle. Foundation will be a new product to be offered out of Labuan IBFC.

The proposed Labuan Limited Partnerships and Limited Liability Partnerships Act is essentially the consolidation of existing provisions under Labuan Offshore Limited Partnerships Act 1997 with new provisions to facilitate creation of a new entity known as Limited Liability Partnerships (LLP). The LLP has elements of both a partnership and company, with all partners of a LLP having limited liability, similar to shareholders of a company.

Labuan IBFC aspires to be the first jurisdiction to introduce a comprehensive Labuan Islamic Financial Services and Securities Act (LIFSA). The proposed LIFSA will consolidate all provisions relating to Islamic financial products and services in Labuan IBFC. The promulgation of the law will enable a more efficient, coherent legal framework for Islamic banking and finance that will mitigate legal anomalies arising from the application of Islamic principles.

Information and Communication Technology

In 2008, LOFSA embarked on various Information and Communication Technology projects as proposed in the ICT Strategic Plan to enhance the operational capability and efficiency of its products and services delivery systems. These projects include the Integrated System Solutions, Human Resource Management Information System, Integrated Library Management Utility and Company Registration System or *MyLofsa2*.

The ISS project comprises the Document Management System (DMS), Statistical Management System (SMS) and Web Content Management System (WCMS) modules. The objective of DMS is to set up a centralised repository of documents with a systematic filing procedure across the organisation, while the WCMS is aimed at facilitating the creation, maintenance and updating of LOFSA's website. In the case of SMS, it seeks to facilitate the collection, dissemination, consolidation and analysis of financial data submitted by Labuan financial institutions (FIs) for monitoring and supervision purposes.

To support LOFSA as a knowledge-based organisation, an improved library system was implemented to facilitate research and development as well as a repository system for all publication resources.

For the company registration system or *MyLofsa2*, the project aims to enhance LOFSA's existing online company registration process including simplifying the submission of documents by trust companies. The implementation of the system would provide a more efficient platform for the registration and maintenance of Labuan companies.

Other Initiatives

To enhance its delivery system, with effect from 31 July 2008, LOFSA has given exemption to Labuan companies in the following areas:

- a. To carry on business with Malaysian residents pursuant to Section 7(3)(a) of the Offshore Companies Act 1990 (OCA); and
- b. To invest in a domestic company pursuant to Section 147(1) of the OCA subject to the following conditions:
 - i. The Labuan company itself or through a Labuan trust company or other professional intermediary, such as a legal firm or tax consultancy, has to submit to LOFSA a notification not later than ten (10) working days from the date the respective transaction is carried out; and
 - ii. The Labuan companies and the respective domestic company involved in the transaction has obtained or will obtain approval (if any) from the relevant domestic regulatory/monetary authority including Bank Negara Malaysia, Securities Commission and Foreign Investment Committee, wherever applicable, in undertaking the transaction.

Prior to the above, the time taken for Labuan companies to complete the above transactions may take up to three (3) weeks.

Islamic Financial Services

Islamic finance in Labuan IBFC continued to record growth with private funds recording more than 100% growth in fund size. At the same time, the retakaful industry in Labuan IBFC continued its growth momentum as reflected in the increase in gross contributions and establishment of retakaful windows by conventional reinsurers. The range of Shariah compliant products offered in Labuan IBFC expanded to include Shariah compliant trusts and foundations that are unique to Labuan IBFC.

Amidst the challenging business landscape, LOFSA remained vigilant in its measures to ensure the stability of the Islamic financial industry. In this regards, LOFSA will continue to collaborate with the relevant international bodies on best practices and standards for a transparent, effective and sound Islamic financial system.

Several Shariah compliant funds were launched in 2008 to invest in real estate development and properties in the ASEAN region. During the same period, Labuan IBFC also succeeded in attracting market players to establish funds to meet the demand from Middle Eastern investors for diversified investments outside their region. The growth in Islamic wealth witnessed the increase of new entrants into the industry, including those from countries such as South Korea, to capitalise on this opportunity to establish Shariah compliant asset-based and equity-based funds in Labuan IBFC. By the end of 2008, the total funds size originating from South Korea surpassed USD1.0 billion.

Recognising the growing demand for Islamic financial products and services across various jurisdictions, Shariah compliant private wealth management has been identified as a key business to be further promoted in Labuan IBFC. In this regard, LOFSA has strengthened the regulatory framework through the issuance of the Guidelines on Shariah Compliant Trust in Labuan IBFC (the Guidelines).

The Guidelines provided clarification and product awareness to players on structuring Shariah compliant trusts out of Labuan IBFC under the governing laws of the Labuan Offshore Trust Act 1996. It covers the duties of the trustee to ensure that all aspects of the trusts created are in compliance with Shariah principles and clarified that the settlor's discretionary powers over a Shariah compliant trust can be exercised provided the powers do not affect the validity of the trust. This feature would make Labuan trust structures more attractive and provide legal certainty in case of any dispute between settlor and trustee.

To ensure continuity and promote awareness on Islamic finance opportunities in Labuan IBFC, LOFSA participated in various promotional activities both at domestic and international levels. The promotional efforts abroad were also undertaken in collaboration with the MIFC initiative to targeted countries in the Middle-East and Asia-Pacific. LOFSA organised the Labuan International Islamic Finance Lecture Series III in Labuan and co-hosted the 5th Kuala Lumpur Islamic Finance Forum 2008. The forum provided an opportunity for a dialogue amongst speakers and delegates on the orderly development of an efficient, competitive, sound and innovative Islamic finance industry in a rapidly changing global environment.

Platform for Global Takaful Market

The formation of the Global Takaful Group (GTG) in Labuan is a significant development for the takaful and retakaful industry and further enhances the profile of Labuan IBFC. The GTG was an informal regional group known as the ASEAN Takaful Group which had been renamed to reflect its enlarged international membership. Since its inception in 1995, the GTG has grown from only six members to currently 38 takaful and retakaful operators from various countries, including Malaysia, Indonesia, Brunei, Singapore, Sri Lanka and Saudi Arabia.

The main objectives of GTG are to serve as a tangible platform for information exchange, provide accessibility to retakaful underwriting capacity, training facilities and statistical databases. At the industry level, GTG would facilitate uniformity in terms of business practices and norms among members and the industry to spur growth and global marketing of takaful and retakaful products. The formation of GTG is paramount in enabling takaful operators to strengthen cooperation as well as promote shared services.

Human Capital Development

While precedence is given to the alignment of its strategic direction and business objectives, LOFSA continues to enhance its human capital development. This includes the successful recruitment of talents as well as maintaining effective retention strategy via attractive compensation and benefit schemes. Recognising this, in 2008, LOFSA reviewed its Terms and Conditions to improve the Compensation and Benefits Scheme to its staff.

As at 31 December 2008, LOFSA has 93 full-time personnel in various divisions/units such as Financial Services and Policies, Corporate Planning and ICT, Corporate Services and Communication, Legal and Supervision, Audit and Risk Management and Islamic Business Management.

LOFSA believes that in today's organisation, rewards represent a wide array of motivators that includes training and development opportunities, work environment and intellectual challenges. This reflects a growing understanding that the compensation and benefit scheme is just a part of what binds employees to organisations. The right package of rewards is an essential aspect of a well-defined talent retention strategy. It spells out precisely what LOFSA is prepared to deliver in exchange for an employee's discretionary performance and contributions. As such, aided by a recognised consultant, LOFSA had embarked and completed its Human Resource Strategic Plan in 2008.

In the area of performance measurement, the attainment of LOFSA's business strategy is supported by a flexible and transparent Performance Management System (PMS). To ensure congruence between the Organisational Strategy and Individual Performance, LOFSA has linked the individual Key Performance Index (KPI) to its Corporate Balance Scorecard. This new PMS would appraise the correlation between current reward management strategies and achieved KPIs.

On training and development aspect, greater emphasis has been placed on ensuring appropriate training and development opportunities through participation in courses, seminars and workshops by training bodies such as the Institute of Bankers Malaysia, Bank Negara Malaysia, Financial Stability Institute, International Centre for Education in Islamic Finance and International Centre for Leadership in Finance for core divisions of LOFSA. In addition to enhancing employees' skills and competencies, LOFSA also allocates resources in the training and development of employees to complement their personal development. For instance, LOFSA established its Information Resource Centre (IRC) to encourage self-learning amongst employees. Employees are able to utilise the resources in the IRC, such as books, journals, periodicals, white papers and other materials, for knowledge and information on a wide range of topics.

LOFSA continuously acknowledges and strives to provide a conducive and caring environment with a desire to optimise employee satisfaction, improve performance and encourage loyalty via various initiatives, such as providing competitive and attractive compensation and benefits plans, safe and healthy work conditions and conducting team related activities.

To achieve work-life balance that includes family members and at the same time promote a healthy lifestyle for employees, LOFSA through its Staff Recreational and Welfare Club organises various recreational and sporting activities amongst its employees.

Another area of focus has been to improve LOFSA's overall climate. Initiatives undertaken included the implementation of an Organisational Climate Survey that examined six climate dimensions: Flexibility, Responsibility, Standards, Rewards, Clarity, and Team-Commitment. The survey enabled LOFSA to identify positive aspects of the organisation as well as areas of concerns to develop the right climate and strategies to strengthen its organisational climate and enhance employee engagement.

In summary, LOFSA continues to emphasise human capital development through activities and programmes aimed at enhancing the competency and credibility of LOFSA.

Corporate Social Responsibility

LOFSA continues to practice good Corporate Social Responsibility (CSR) in its efforts to achieve sustainable outcomes by committing to good business practices and standards based on ethical values and respect for employees, the community, environment and stakeholders.

As part of its responsibility and commitment to have outreach programmes that benefit the community in Labuan IBFC, LOFSA participated in various sports and charity events. The "LOFSA Run" is an annual event organised by LOFSA that signifies the collaboration between LOFSA and the Government and private agencies in Labuan. In 2008, this event was specially organised as part of Malaysia's 51st Merdeka Day Celebration and attracted more than 2,500 participants. Charitable donations and funds raised from the event were channeled to several organisations in Labuan, such as the Labuan Special Olympic Organisation, Handicapped Children in Labuan, Senior Citizens Association and Single Parent Association. Other sporting events and activities supported by LOFSA include the Labuan International Rugby Tournament and the Inter-Government Agencies Games.

Apart from supporting sporting events and activities, LOFSA is also active in assisting various charitable and governmental bodies, which include contributing to the Interaction Disabled People Association of Kuala Lumpur and Selangor, Ex-Police Association of Malaysia State of Sarawak and the Yayasan Pendidikan Pelajar Melayu.

LOFSA also presented the “Excellence Award” to outstanding graduates of Universiti Malaysia Sabah, Labuan International Campus. This yearly event is aimed at promoting and developing higher education in Labuan IBFC.

Labuan International School

LOFSA has been managing and financing the Labuan International School (LIS) since 1999. The school consists of three components, namely:

- International School, with primary and secondary level education based on the British National Curriculum for foreign students;
- Sekolah Sri Labuan, a private school that offers both the Malaysian Integrated Primary School curriculum and Malaysian Integrated Secondary School curriculum; and
- Tadika Manjaria, a preschool education for local and foreign children, ages five and six years old.

With the support from the Malaysian Government under the Ninth Malaysia Plan, LOFSA has upgraded the school’s facilities and infrastructure, to include a half-Olympic-sized swimming pool, Smart Boards and computers, additional classrooms, musical instruments, security and maintenance services.

To provide professionalism and expertise in managing the school, LOFSA engaged a renowned operator of international schools, who has successfully transformed LIS into a centre of educational excellence. The quality of education coupled with modern facilities, have transformed LIS into a school of international standard, gaining it a reputation as the preferred school in Labuan.

These initiatives have contributed to a significant increase in the number of students enrolled in LIS. At the end of 2008, the school had a total of 205 students, an increase of 71.0% over the last two years, comprising a good mixture of both local and foreign students.

LOFSA’s effort and contribution in transforming LIS into a school of international standard received strong support from the Government in the form of allocation under the development budget to construct new facilities for LIS. Under the Ninth Malaysia Plan, the Government has agreed to allocate a budget for the construction of a new and modern school building for completion by 2011. Amongst others, the new LIS will boast a state-of-the-art auditorium for performing arts, academic and administration blocks, computer-aided learning facilities and other amenities.

Box Article 2 :

Labuan IBFC : Steering Through the Sea of Opportunity

‘The times they are a-changing’ is a sentence from a much quoted song these days. This 30-year old song comes from an age when change was not anxiety-born as it is today, nor was it feared for all that it would bring in its wake.

It has been said time and again that the only constant is change and the Labuan International Offshore Financial Centre (IOFC) has not been exempted from its effect. Thus in early 2008 Labuan IOFC was rebranded as the Labuan International Business and Financial Centre (Labuan IBFC), renewed with the goal of being the premier business and financial centre in Asia-Pacific.

This exercise signaled a change of spirit, of focus, of determination, befitting a thriving jurisdiction whose business activities – under the watchful care and supervision of LOFSA over the past 18 years – have steadily multiplied.

The said rebranding exercise was merely the tip of the iceberg, a holistic repositioning of the jurisdiction was now well under way and the establishment of a dedicated marketing and promotional unit was the next order of the day. So on 14 May 2008, Labuan IBFC Incorporated Sdn. Bhd. (Labuan IBFC Inc) was established.

It has been mentioned that in these turbulent times it is quite ironic that Labuan – whose original name “Labuhan” means “Anchor” in the Malay language is now actively offering itself as a place to fasten to, whilst we all wait out this global economic storm.

Manning the oars

The good ship, having been launched, needed a crew who could man the oars and be trusted to row in concert. In the second half of 2008, a total of 10 marketing professionals came on board one at a time, covering every aspect of the marketing mix from public relations, event planning, database marketing and website management.

Special consultants have been brought on board to provide expertise in the critical areas of international tax and insurance, lending a much needed industry perspective to Labuan IBFC Inc’s marketing initiative.

The team has been cognisant that, against the larger backdrop of more than 80 offshore jurisdictions who either enjoy geographic proximity or historical connections to traditional pools of capital, or deep wells of petro dollars, Labuan IBFC has to constantly stay on its toes to achieve its objective of becoming the leading international business and financial centre in Asia-Pacific.

Having nailed the colours to the mast, Labuan IBFC has set its sights on five key areas of growth. So rather than be all things to all people, the jurisdiction is making overtures to woo and win the professionals and intermediaries who influence the setting up of:

- international holding companies;
- private and public fund, and the management entities;
- captive insurance vehicles;
- Islamic finance and banking vehicles; and
- wealth management structures.

Hitting the water

With personnel in place, the rest of 2008 was spent developing the wide range of marketing collateral needed to support Labuan IBFC Inc’s activities; the website, the wide range of product specific brochures, the corporate video, presentation materials and so forth.

Much activity was also centered on getting in front of the industry, both locally and regionally, via numerous speaking slots at industry focused events such as seminars for professionals, generating generic publicity and subtle ‘third party’ endorsements.

At the same time, engagements at different levels with LOFSA; co-operation and joint ventures with Labuan intermediaries; dialogues with other Government-linked agencies including Malaysian Industrial Development Authority, Malaysia External Trade Development Corporation, Malaysia International Islamic Financial Centre and domestic regulatory agencies – have all become invaluable channels to reach stakeholders.

Specifically, since May 2008, Labuan IBFC Inc has been involved in 24 events attended by 8,110 participants while advertising and promotional exposures included regular insertions in various international publications.

On the public relations front since July 2008, there have been 33 media articles featuring Labuan IBFC, in a wide range to national and international industry specific titles.

Other touch points include an invaluable large database of industry related persons, a base that is expected to grow in tandem with the amount of marketing and promotional activity being engaged. This is a key area of focus on moving forward as it allows for a high level of personal interaction and feedback at minimal cost.

Labuan IBFC's website, www.labuanibfc.my, is also a key element in the market engagement plan, and while this had been a steady growth in visitors to the current "placeholder" website; visitors will be pleased to know that 2009 will see the launch of a full-fledged website which will provide a more interactive experience for each user.

Pulling ahead

While 2008 has been a busy year for Labuan IBFC, it has also challenged our mettle as the fast developing credit crisis morphed into a full-blown worldwide recession, leaving with less than rosy prospects for the year. Thus 2009 is expected to be challenging as liquidity in global capital markets seize up, and the pre-occupation of most people shift from an investing mindset to a perspective of maintaining or recouping what they may have lost financially.

However, in this sea of turmoil, there is an excellent opportunity in the continuing monetary flow from those seeking refuge from the crisis. In this scenario, it is envisaged that Labuan IBFC can flag these prospects with offers of re-domiciliation; coupled with extensive Double Taxation Agreement treaty network; low cost of operation; and a business friendly regulator. Packaged correctly, this could be Labuan IBFC's most attractive value proposition to the international market.

In addition, to be fit and ready when the world economy rebounds, Labuan IBFC is also looking into expanding its distribution base, either by assisting current trust companies market themselves better and build international networks or by attracting international registration agents to set up a presence in Labuan. Broadening generic awareness among international trust companies and registered agents of the changes on-going on the island, coupled with incentives to use Labuan IBFC for their client's specific needs, are the key initiatives intended to be used to draw more interest.

The current crisis brings with it a vast opportunity for international finance and banking, when one takes into account that companies and individuals will be managing costs tightly. The calendar drawn up for 2009 will continue to take the story of Labuan IBFC and what it offers to the neighbouring countries and beyond into China, India, and member states of the Gulf Cooperation Council. Advertising, public relations and publicity, as well as attending events, seminars and conferences – both bespoke and industry related - will continue to be the key promotional drivers. Personal interaction such as one on one meeting has been found to be effective especially when it comes to changing perceptions and sharing developments.

Rounding up, no one could have predicted the financial meltdown would wreak such havoc around the world yet, Labuan IBFC has held up well. With continued close communication among stakeholders, plus the expected gazette of the new and revised legislative package in 2009, there is every reason to believe the international investment community will take note of this "anchor" and sail into its sea of opportunities.

Supporting the Global Islamic Financial Market Infrastructure

As the founding and permanent member of the International Islamic Financial Market (IIFM), LOFSA continued to strongly support the initiatives and projects of IIFM. This included participating actively in the working groups, workshops and conferences organized by IIFM. LOFSA remains committed to the development of a vibrant, transparent and robust Islamic financial market.

In November 2008, LOFSA hosted the 19th IIFM Board Meeting in Kuala Lumpur. The meeting, amongst others, reviewed the progress of major IIFM projects. Twelve board members who attended the meeting deliberated on the implementation efforts of various Islamic industry building initiatives. During the year, IIFM unveiled its new plan to remain an active player in stimulating the Islamic capital and money market activities globally. A recent landmark achievement for IIFM was the launching of the benchmark document, the Master Agreement for Treasury Placement (MATP), on 8 October 2008. The MATP is the Islamic financial industry's first standardised document that can be adopted by all financial institutions, both Islamic and conventional.

Realising the critical need to have a developed Islamic secondary markets and uniform documentation and products, IIFM embarked on a more focused program following its relaunch in 2006. Following its reorganisation, the institution adopted a market-based approach in project development through alliances with market players and international organisations around the world. Close coordination was also maintained with all infrastructure institutions established to develop the Islamic financial services industry. Engaging the industry and Shariah scholars in the development of standardised documents and products is regarded as crucial by IIFM in ensuring that these documents and products are accepted and adopted by Islamic financial institutions across different jurisdictions.

Core to IIFM's market-driven approach has been the creation of global working groups. Those involved in these working groups would be able to share their views, experiences and expertise towards the creation of a unified document, product or practice on a global basis, which would be accepted by financial institutions around the world. Currently, these working groups are:

- IIFM Documentary Convergence Working Group;
- IIFM/International Swaps and Derivatives Association (ISDA) Islamic Finance Working Group; and
- IIFM/International Capital Market Association (ICMA) Core Working Group.

The support showed by international market practitioners through their participation in the IIFM working groups has translated into greater progress in the initiatives and projects undertaken by IIFM. The institution is further strengthened by the involvement of international financial institutions as its members.

The focus of IIFM is on the utilisation of standardised agreements to provide greater transparency, robustness and consistency in Islamic financial transactions. The institution is forging ahead with a number of projects aimed at bringing the industry to the next phase of development, i.e. a truly globalised Islamic financial industry and Islamic capital market.

The IIFM MATP is a landmark initiative for standardising the Commodity Murabaha, a tool customarily used by financial institutions for Shariah compliant liquidity management. The master agreement is a culmination of two years of consultation with over 40 regional and international market participants. The project was driven by IIFM's Shariah panel consisting of several leading scholars and an external legal counsel.

The launch of the MATP was critical to the further growth and advancement of the Islamic financial services industry in general and the Islamic capital and money market in particular. The MATP covers two separate structures:

- a. where the depositor/client acts as buying agent (either disclosed or undisclosed) of the financial institution; and
- b. where the depositor/client and financial institution act as principals with no agency relationship.

The master agreement comprises a standalone Master Murabaha Agreement, a Master Agency Agreement and a commodity purchase Letter of Understanding. The MATP, which can be used by Islamic financial institutions across the world for their over-the-counter commodity Murabaha transactions, would significantly facilitate the Islamic banking industry's commodity Murabaha transaction, which is the most widely used Islamic money market product in managing liquidity.

The reasons for developing global MATP are as follows:

- a. Commodity Murabaha is the most common and widely used liquidity management product in number of jurisdictions;
- b. Frequent legal, Shariah, operational and other cost due to minor variations in the existing bilateral agreements (30+ versions exist in the market);
- c. Variations in documentation processes and procedures leads to Shariah divergence;
- d. Lengthy negotiation time and constant Shariah involvement; and
- e. The IIFM MATP moves away from costly bilateral documentation to efficient standardisation approach.

The MATP will result in tremendous cost and resource savings for Islamic financial institutions as well as time and operational efficiency and most importantly result in freeing up Shariah consultations. The master agreement should carry wider acceptability, given the active involvement of many prominent market players and Shariah scholars throughout the process of developing the agreement.

In order to encourage standardisation, IIFM has made the MATP freely accessible to the industry. The initial beneficiaries of the benchmark document are Kuwait Finance House (Group), Al Salam Bank, Standard Chartered Bank, European Islamic Investment Bank, Gatehouse Bank, Gulf Finance House, Islamic Bank of Asia, West LB, Barclays Capital, Seera Investment Bank, Jordan Islamic Bank, Al Baraka Banking Group, ABC Islamic Bank, Gulf International Bank, Al Khalij Commercial Bank etc., while several jurisdictions are also considering to adopt the MATP as a minimum standard.

It is expected that a number of institutions may adopt the MATP without any changes as the document is very comprehensive with regards to legal, Shariah and process flows. However, being a benchmark document, some institutions may use it as a reference, in which case the IIFM Shariah pronouncement will not apply. It is hoped that the industry players will whole heartedly support the IIFM in this market unification initiative.

Another IIFM landmark project which is much anticipated by the industry is the development of Hedging (TaHawwut) Master Agreement. This is a joint initiative with ISDA where the Working Group (WG) member institutions consist of more than 100 market participants globally. The objective of this initiative is to put together a framework agreement which will cover the risk management requirements of

Islamic institutions in order to provide them with a level playing field. The master agreement will play a critical role in the development of risk management tools/products, seen as a critical factor in the sustainable growth of Islamic financial services industry. IIFM/ISDA had circulated five draft master agreements in consultation with the market participants and had seven WG meetings as well as number of IIFM Shariah Panel meetings where the scholars provided guidance during market consultation phase. The final market consultation exercise was completed in December 2008 and currently the “TaHawwut” Master Agreement is being reviewed by the scholars on IIFM Shariah Panel for guidance and finalisation.

In addition, IIFM in collaboration with ICMA is also exploring the workability of a Shariah compliant universal repurchase product. IIFM is also assessing the possible development of other master agreements such as Wakala based transactions.

IIFM also organises several well focused and project specific conferences and workshops to highlight latest industry trends and requirements as well as increase awareness of the need for standardisation.

Financial Statements

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**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE
LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

The financial statements of Labuan Offshore Financial Services Authority and the Group for the year ended 31 December 2008 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.

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. I believe that the audit has been carried out provide a reasonable basis for my opinion.

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 2008 and of the results of its operations and its cash flow for the year ended based on the approved accounting standards.

I have considered the Financial Statements and the auditors' reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the Financial Statements. I am satisfied that these Financial Statements of the subsidiary companies that has been consolidated with the Labuan Offshore Financial Services Authority's Financial Statements are in appropriate form and content, 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.

The auditors' report on the Financial Statements of the subsidiary companies were not subjected to any observations that could affect the Consolidated Financial Statements.


(HJH. ZAINUN BINTI TAIB)
for AUDITOR GENERAL
MALAYSIA



**PUTRAJAYA
15 APRIL 2009**

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 Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Authority at 31 December 2008 and of the results of their operations 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
10 APRIL 2009

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 10 day of APRIL 2009

Before me,



COMMISSIONER FOR OATHS

B016, Tingkat Satu,
Komplek Ujana Kewangan
Jalan Merdeka
87000 W.P. Labuan.



Consolidated Income Statement

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Revenue	4	27,296,744	22,396,966
Government grant	18	14,986,991	9,840,422
Other operating income	5	418,228	748,232
Staff costs	6	(16,152,285)	(11,030,431)
Depreciation of property, plant and equipment	9	(2,273,708)	(1,336,925)
Other operating expenses	5	(27,698,643)	(20,013,124)
(Deficit)/Surplus from operations		(3,422,673)	605,140
Income from other investments	7	1,020,245	1,634,835
(Deficit)/Surplus before tax		(2,402,428)	2,239,975
Tax expense	8	–	–
Net (deficit)/surplus for the year		(2,402,428)	2,239,975

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

Income Statement

For The Year Ended 31 December 2008

	Note	2008 RM	2007 RM
Revenue	4	26,542,809	21,905,410
Government grant	18	17,977,094	11,446,419
Other operating income	5	330,365	706,620
Staff costs	6	(13,255,315)	(10,406,210)
Depreciation of property, plant and equipment	9	(1,187,842)	(1,112,713)
Other operating expenses	5	(29,996,648)	(21,460,183)
Surplus from operations		410,463	1,079,343
Income from other investments	7	1,019,734	1,610,197
Surplus before tax		1,430,197	2,689,540
Tax expense	8	–	–
Net surplus for the year		1,430,197	2,689,540

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

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 RM	2007 RM
ASSETS			
Property, plant and equipment	9	9,554,760	6,130,594
Other receivables	11	7,797,175	7,420,928
Prepaid lease payment	12	436,818	437,336
Total non-current assets		17,788,753	13,988,858
Fees receivable	13	5,443,379	1,871,358
Other receivables	11	2,159,177	3,220,365
Cash and cash equivalents	15	32,357,407	39,805,745
Total current assets		39,959,963	44,897,468
Total assets		57,748,716	58,886,326
RESERVES			
Accumulated surplus		24,575,402	26,977,830
LIABILITIES			
Employee benefits	16	436,000	268,000
Government loans	17	13,000,000	13,000,000
Total non-current liabilities		13,436,000	13,268,000
Deferred income	18	11,857,142	12,536,121
Fees received in advance	19	1,698,976	1,069,546
Refundable deposits	20	1,200,000	1,200,000
Other payables and accruals	21	4,981,196	3,834,829
Total current liabilities		19,737,314	18,640,496
Total liabilities		33,173,314	31,908,496
Total reserves and liabilities		57,748,716	58,886,326

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

Balance Sheet

At 31 December 2008

	Note	2008 RM	2007 RM
ASSETS			
Property, plant and equipment	9	3,465,122	3,675,233
Investments in subsidiaries	10	1	1
Other receivables	11	7,797,175	7,420,928
Prepaid lease payment	12	436,818	437,336
Total non-current assets		11,699,116	11,533,498
Fees receivable	13	5,356,900	1,783,580
Other receivables	11	1,898,854	3,164,521
Amount owing by a subsidiary	14	4,000,000	–
Cash and cash equivalents	15	31,748,016	39,452,453
Total current assets		43,003,770	44,400,554
Total assets		54,702,886	55,934,052
RESERVES			
Accumulated surplus		29,060,506	27,630,309
LIABILITIES			
Employee benefits	16	436,000	268,000
Government loans	17	13,000,000	13,000,000
Total non-current liabilities		13,436,000	13,268,000
Deferred income	18	6,261,042	9,930,124
Fees received in advance	19	1,698,976	1,069,546
Refundable deposits	20	1,200,000	1,200,000
Other payables and accruals	21	2,103,727	2,836,073
Amount owing to a subsidiary	22	942,635	–
Total current liabilities		12,206,380	15,035,743
Total liabilities		25,642,380	28,303,743
Total reserves and liabilities		54,702,886	55,934,052

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

Statement of Changes in Reserves

For The Year Ended 31 December 2008

	Accumulated surplus RM
GROUP	
Balance at 1 January 2007	24,737,855
Net surplus for the year	2,239,975
Balance at 31 December 2007	26,977,830
Balance at 1 January 2008	26,977,830
Net deficit for the year	(2,402,428)
Balance at 31 December 2008	24,575,402
AUTHORITY	
Balance at 1 January 2007	24,940,769
Net surplus for the year	2,689,540
Balance at 31 December 2007	27,630,309
Balance at 1 January 2008	27,630,309
Net surplus for the year	1,430,197
Balance at 31 December 2008	29,060,506

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

Consolidated Cash Flow Statement

For The Year Ended 31 December 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/Surplus before tax	(2,402,428)	2,239,975
Adjustments for:		
Depreciation of property, plant and equipment	2,273,708	1,336,925
Government grant	(14,986,991)	(9,840,422)
Gain on disposal of property, plant and equipment	(531)	(1,113)
Other long term employee benefits	168,000	73,116
Property, plant and equipment written off	3,478	9,473
Interest income	(1,184,761)	(1,766,654)
Amortisation of prepaid lease payment	518	518
Operating Deficit Before Working Capital Changes	(16,129,007)	(7,948,182)
Changes in working capital:		
Fees receivable	(3,572,021)	(939,623)
Other receivables	188,949	(683,874)
Fees received in advance	629,430	93,348
Refundable deposits	-	(50,000)
Other payables and accruals	1,146,367	(1,585,064)
Cash Used In Operations	(17,736,282)	(11,113,395)
Interest received	164,516	131,819
Employee benefits settled	-	(6,330)
Net Cash Used In Operating Activities	(17,571,766)	(10,987,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,301	1,113
Additions to property, plant and equipment	(5,702,122)	(3,803,532)
Interest received	1,516,237	1,474,332
Net Cash Used In Investing Activities	(4,184,584)	(2,328,087)
CASH FLOWS FROM FINANCING ACTIVITY		
Government grant received	14,308,012	10,123,000
Net Cash From Financing Activity	14,308,012	10,123,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,448,338)	(3,192,993)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,805,745	42,998,738
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 15)	32,357,407	39,805,745

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

Cash Flow Statement

For The Year Ended 31 December 2008

	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before tax	1,430,197	2,689,540
Adjustments for:		
Depreciation of property, plant and equipment	1,187,842	1,112,713
Government grant	(17,977,094)	(11,446,419)
Gain on disposal of property, plant and equipment	(531)	(1,113)
Other long term employee benefits	168,000	73,116
Property, plant and equipment written off	2,107	3,169
Interest income	(1,184,250)	(1,742,016)
Amortisation of prepaid lease payment	518	518
Operating Deficit Before Working Capital Changes	(16,373,211)	(9,310,492)
Changes in working capital:		
Fees receivable	(3,573,320)	(883,230)
Other receivables	392,917	(678,963)
Amount owing by a subsidiary	(4,000,000)	-
Fees received in advance	629,430	93,348
Refundable deposits	-	(50,000)
Other payables and accruals	(732,346)	(1,512,629)
Amount owing to a subsidiary	942,635	-
Cash Used In Operations	(22,713,895)	(12,341,966)
Interest received	164,516	131,819
Employee benefits settled	-	(6,330)
Net Cash Used In Operating Activities	(22,549,379)	(12,216,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,301	1,113
Additions to property, plant and equipment	(980,608)	(1,276,827)
Interest received	1,516,237	1,449,694
Net Cash From Investing Activities	536,930	173,980
CASH FLOWS FROM FINANCING ACTIVITY		
Government grant received	14,308,012	10,123,000
Net Cash From Financing Activity	14,308,012	10,123,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,704,437)	(1,919,497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,452,453	41,371,950
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 15)	31,748,016	39,452,453

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 an international business and financial centre and to develop national objectives, policies and priorities for the orderly development and administration of 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 94 (2007: 86)

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 10 APRIL 2009.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Authority have been prepared in accordance with the provisions of the Labuan Offshore Financial Services Authority Act, 1996 and Financial Reporting Standards (FRSs) in Malaysia.

The Group and the Authority have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

Standard / Interpretations	Effective date
FRS 4, <i>Insurance contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The Group and the Authority plans to apply the abovementioned FRSs / Interpretations from the annual period beginning 1 January 2010.

2. BASIS OF PREPARATION (Cont'd)

(a) Statement of compliance (Cont'd)

The impact of applying FRS 4, FRS 7 and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed by virtue of the exemptions given in the respective FRSs. The initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the financial statements of the Group and of the Authority.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

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

(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 those disclosed in Note 3(d) and (i) 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 have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries 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.

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

(a) Basis of consolidation (Cont'd)

(i) *Subsidiaries (Cont'd)*

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.

Investments in subsidiaries are stated in the Authority's balance sheet at cost less any impairment losses, unless the investment is 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 are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Revenue recognition

Fee income from businesses

Fees comprise incorporation and registration fees and annual fees of Labuan companies, annual licence fees for Labuan 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 Labuan 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.

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

(c) Revenue recognition (Cont'd)

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 bring 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.

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 net within "other income" or "other operating expenses" respectively in the income statements.

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.

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

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

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 reassessed at the balance sheet date.

(f) Prepaid lease payment - Leasehold properties

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, the leased assets are not recognised on the Group's balance sheet.

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.

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Impairment of assets

The carrying amounts of the 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)

(g) 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 statements. 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 statements in the year in which the reversals are recognised.

(h) Receivables

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

(i) 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)

(j) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(k) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowing using the effective interest method.

(l) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

(m) Cash flow statement

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

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(n) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(n) Tax expense (Cont'd)**

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	
	2008 RM	2007 RM	2008 RM	2007 RM
Fee income	24,723,039	23,135,537	24,723,039	23,135,537
Movement in fee income-in-suspense	1,819,770	(1,230,127)	1,819,770	(1,230,127)
Other fees	753,935	491,556	–	–
	27,296,744	22,396,966	26,542,809	21,905,410

5. OTHER OPERATING INCOME/(EXPENSES)

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

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Other operating income:				
Interest income from staff loans:				
- Key management personnel	26,792	28,021	26,792	28,021
- Others	137,724	103,798	137,724	103,798
Rental income	72,655	10,755	70,530	8,200
Miscellaneous income	180,526	604,545	94,788	565,488
Gain on disposal of property, plant and equipment	531	1,113	531	1,113
Other operating expenses:				
Project expenditure incurred under the Ninth Malaysia Plan government grant				
- Third parties	(14,986,991)	(9,840,422)	(11,005,269)	(7,459,160)
- Subsidiaries	-	-	(6,971,825)	(3,987,259)
Audit fees				
- current year	(40,000)	(19,000)	(19,000)	(14,000)
- underprovision in prior year	(2,050)	-	(1,050)	-
Members' remuneration:				
- Executive	(829,204)	(766,208)	(829,204)	(766,208)
- Non-executive	(87,200)	(44,000)	(87,200)	(44,000)
Other key management personnel compensation:				
- Short term employee benefits	(3,008,161)	(2,250,346)	(1,973,897)	(2,250,346)
Expense relating to long term employee benefit	(168,000)	(66,786)	(168,000)	(66,786)
Rental expenses	(1,319,335)	(1,150,029)	(1,084,272)	(1,063,092)
Fees receivable written off	(802,700)	(1,170,100)	(802,700)	(1,170,100)
Amount owing by subsidiary companies written off	-	-	(1,805,459)	(459,545)
Property, plant and equipment written off	(3,478)	(9,473)	(2,107)	(3,169)
Contributions to LOFSA Staff Welfare Fund	(442,000)	(266,481)	(442,000)	(266,481)
Lease of machinery and equipment	(79,320)	(76,450)	(79,320)	(76,450)
Amortisation of prepaid lease payment	(518)	(518)	(518)	(518)
Allowance for doubtful staff loans	-	(186,594)	-	(186,594)
Management fees	(1,500,000)	(1,500,000)	-	-
Tuition fees paid to a subsidiary	-	-	(144,807)	(134,760)

6. STAFF COSTS

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Staff costs	16,152,285	11,030,431	13,255,315	10,406,210

Included in staff costs are the Group's and the Authority's contributions to the Employees Provident Fund of RM1,564,399 (2007: RM1,095,823) and RM1,419,128 (2007: RM1,033,775) respectively.

7. INCOME FROM OTHER INVESTMENTS

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest received from:				
Fixed deposits	1,007,693	1,615,471	1,007,182	1,590,833
Money at call	12,552	19,364	12,552	19,364
	1,020,245	1,634,835	1,019,734	1,610,197

8. TAX EXPENSE

Group

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

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
(Deficit)/Surplus before tax	(2,402,428)	2,239,975	1,430,197	2,689,540
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(624,631)	604,793	371,851	726,176
Effect of income not subject to tax	(752,102)	(850,252)	(371,851)	(726,176)
Effect of expenses not deductible for tax purposes	166,529	64,827	–	–
Deferred tax assets not recognised	1,210,204	180,632	–	–
Tax expense for the year	–	–	–	–

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

	Group	
	2008 RM	2007 RM
Property, plant and equipment	(239,361)	–
Provisions	21,000	–
Unutilised tax losses	6,727,224	2,217,868
Unabsorbed capital allowances	1,025,931	273,932
	7,534,794	2,491,800

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	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 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
Disposal	–	–	(108,381)	(46,800)	–	(155,181)
Write-off	–	–	(2,219,545)	(744,588)	–	(2,964,133)
Re-classification	–	–	–	1,285,280	(1,285,280)	–
At 31 December 2007/1 January 2008	688,000	806,160	2,325,501	8,042,515	–	11,862,176
Additions	–	564,309	521,262	4,616,551	–	5,702,122
Disposal	–	–	(57,848)	(15,120)	–	(72,968)
Write-off	–	–	(4,469)	(52,566)	–	(57,035)
At 31 December 2008	688,000	1,370,469	2,784,446	12,591,380	–	17,434,295
Accumulated depreciation						
At 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
Disposal	–	–	(108,381)	(46,800)	–	(155,181)
Write-off	–	–	(2,216,788)	(737,872)	–	(2,954,660)
At 31 December 2007/1 January 2008	134,665	626,896	1,792,480	3,177,541	–	5,731,582
Additions	13,788	185,382	376,762	1,697,776	–	2,273,708
Disposal	–	–	(57,845)	(14,353)	–	(72,198)
Write-off	–	–	(4,468)	(49,089)	–	(53,557)
At 31 December 2008	148,453	812,278	2,106,929	4,811,875	–	7,879,535
Carrying amounts						
At 1 January 2007	567,085	149,008	591,523	1,080,564	1,285,280	3,673,460
At 31 December 2007/1 January 2008	553,335	179,264	533,021	4,864,974	–	6,130,594
At 31 December 2008	539,547	558,191	677,517	7,779,505	–	9,554,760

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 RM4,582,451 (2007: RM2,422,408).

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

The Authority	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 2007	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	–	–	(108,381)	(46,800)	–	(155,181)
Write-off	–	–	(2,219,545)	(186,860)	–	(2,406,405)
Re-classification	–	–	–	1,285,280	(1,285,280)	–
At 31 December 2007/1 January 2008	688,000	729,775	2,325,501	4,755,201	–	8,498,477
Additions	–	190,391	251,223	538,994	–	980,608
Disposal	–	–	(57,848)	(15,120)	–	(72,968)
Write-off	–	–	(4,469)	(31,611)	–	(36,080)
At 31 December 2008	688,000	920,166	2,514,407	5,247,464	–	9,370,037
Accumulated depreciation						
At 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
Disposal	–	–	(108,381)	(46,800)	–	(155,181)
Write-off	–	–	(2,216,788)	(186,448)	–	(2,403,236)
At 31 December 2007/1 January 2008	134,665	614,196	1,792,480	2,281,903	–	4,823,244
Additions	13,788	115,575	346,528	711,951	–	1,187,842
Disposal	–	–	(57,845)	(14,353)	–	(72,198)
Write-off	–	–	(4,468)	(29,505)	–	(33,973)
At 31 December 2008	148,453	729,771	2,076,695	2,949,996	–	5,904,915
Carrying amounts						
At 1 January 2007	567,085	149,008	591,523	921,392	1,285,280	3,514,288
At 31 December 2007/1 January 2008	553,335	115,579	533,021	2,473,298	–	3,675,233
At 31 December 2008	539,547	190,395	437,712	2,297,468	–	3,465,122

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 RM3,996,770 (2007: RM1,977,805).

10. INVESTMENT IN SUBSIDIARY

	Authority	
	2008 RM	2007 RM
Unquoted shares, at cost	1	1

The subsidiaries, all incorporated in Malaysia, are as follows:

Name of Company	Effective Percentage of Ownership		Principal Activities
	2008 %	2007 %	
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
Labuan IBFC Inc. Sdn. Bhd.	100	–	Marketing and promoting Labuan International Business and Financial Centre

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.

11. OTHER RECEIVABLES

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Current				
Other receivables:				
Staff housing loans	899,214	1,226,941	899,214	1,226,941
Staff vehicle loans	201,682	137,970	201,682	137,970
Staff advances/Sundry debtors	119,951	123,162	76,898	123,162
Refundable deposits	309,044	258,740	201,181	226,021
Interest receivable	653,906	1,150,409	653,906	1,150,409
Prepaid expenses	78,716	489,763	52,567	486,612
Others	83,258	19,974	–	–
	2,345,771	3,406,959	2,085,448	3,351,115
Less: Allowance for doubtful staff loans	(186,594)	(186,594)	(186,594)	(186,594)
	2,159,177	3,220,365	1,898,854	3,164,521
Non-current				
Other receivables:				
Staff housing loans	6,709,726	7,097,232	6,709,726	7,097,232
Staff vehicle loans	1,087,449	323,696	1,087,449	323,696
	7,797,175	7,420,928	7,797,175	7,420,928

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% (2007: 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 2007/31 December 2007/1 January 2008/31 December 2008		442,000
Accumulated amortisation		
At 1 January 2007		4,146
Amortisation for the year		518
At 31 December 2007/1 January 2008		4,664
Amortisation for the year		518
At 31 December 2008		5,182
Carrying amount		
At 1 January 2007		437,854
At 31 December 2007/ 1 January 2008		437,336
At 31 December 2008		436,818

13. FEES RECEIVABLE

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Fees receivable	6,044,618	3,691,128	5,958,139	3,603,350
Fee income-in-suspense	-	(1,819,770)	-	(1,819,770)
Less: Allowance for uncollected fees	(601,239)	-	(601,239)	-
	5,443,379	1,871,358	5,356,900	1,783,580

14. AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary is non-trade in nature, interest free and has no fixed terms of repayment.

15. CASH AND CASH EQUIVALENTS

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Fixed deposits with licensed banks	20,667,817	37,022,354	20,622,817	37,022,354
Money at call with licensed banks	9,895,147	910,000	9,895,147	910,000
Cash on hand and at banks	1,794,443	1,873,391	1,230,052	1,520,099
	32,357,407	39,805,745	31,748,016	39,452,453

The effective interest rates are as follows:

	Group		Authority	
	2008 % p.a.	2007 % p.a.	2008 % p.a.	2007 % p.a.
Fixed deposits	3.56	4.0	3.56	4.0
Money at call	2.13	2.7	2.13	2.7

The deposits have an average maturity of 30 days to 1 year (2007: 30 days to 1 year).

16. EMPLOYEE BENEFITS

Movements in the liability for other long term employee benefits:

	Group and the Authority	
	2008 RM	2007 RM
At 1 January	268,000	201,214
Settled during the year	–	(6,330)
Recognised in income statement	168,000	73,116
At 31 December	436,000	268,000

16. EMPLOYEE BENEFITS (Cont'd)

Assumptions

Principal assumptions at the balance sheet date:

	Group and the Authority	
	2008 %	2007 %
Discount rate at 31 December	3.81	3.81
Future salary increases	6.04	6.04

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.

As at year end, other long term benefit is calculated based on the number of unutilised leave available of each entitled staff as at 31 December and the present value of last drawn salary of each entitled staff.

The increment rate of future salary is calculated based on the average yearly increment rate of future salary of each entitled staff after taking into consideration of the increment as a result of promotion. In 2008, the Authority has implemented a new remuneration scheme which has caused significant increase in increment rate of future salary. Thus, increment rate of future salary for 2007 is used for the computation of other long term employee benefit.

The discount rate at 31 December is the market yield at the balance sheet date on high quality corporate bonds or government bonds.

17. 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.

18. DEFERRED INCOME

During the year, the Authority received a government grant of RM14.308 million (2007: RM10.123 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 a systematic basis over the useful lives of assets relating to projects undertaken by the Group under the Ninth Malaysia Plan.

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Deferred income at 1 January	12,536,121	12,253,543	9,930,124	11,253,543
Government grant received	14,308,012	10,123,000	14,308,012	10,123,000
Less: Amount recognised in income statement	(14,986,991)	(9,840,422)	(17,977,094)	(11,446,419)
Deferred income at 31 December	11,857,142	12,536,121	6,261,042	9,930,124

19. FEES RECEIVED IN ADVANCE
Group and the Authority

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

20. 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	
	2008 RM	2007 RM
Trust companies security deposits	1,200,000	1,200,000

21. OTHER PAYABLES AND ACCRUALS

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Other payables	3,865,522	3,478,868	1,642,278	2,482,012
Accruals	1,115,674	355,961	461,449	354,061
	4,981,196	3,834,829	2,103,727	2,836,073

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

22. AMOUNT OWING TO A SUBSIDIARY

The amount owing to a subsidiary is non-trade in nature, interest free and has no fixed term of repayment.

23. 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.

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 Labuan 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.

23. FINANCIAL INSTRUMENTS (Cont'd)

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.

24. CAPITAL COMMITMENTS

As of 31 December 2008, the Group and the Authority had the following capital commitments in respect of property, plant and equipment:

	Group and the Authority	
	2008 RM	2007 RM
Approved and contracted for	3,246,497	190,391
Approved but not contracted for	–	–
	3,246,497	190,391

25. OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Authority	
	2008 RM	2007 RM	2008 RM	2007 RM
Less than one year	78,858	76,450	34,590	76,450
Between one and five years	46,070	79,300	46,070	79,300
	124,928	155,750	80,660	155,750

The Group leases a number of office equipment and an office premise under operating leases. The leases of office equipment 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.

26. 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 includes all the Directors of the Group, and certain members of senior management of the Group.

The key management personnel compensations are as follows:

	Group and the Authority	
	2008 RM	2007 RM
Key management personnel		
- Staff housing loans	1,336,003	1,339,838
- Staff vehicle loans	128,550	40,952
- Personal loans	7,639	7,222
- Computer loans	1,381	–
	1,473,573	1,388,012

Related party transactions

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

Appendices

- 118** Significant Events Undertaken by LOFSA
- 122** Guidelines/Circulars Issued by LOFSA
- 123** Listing of Labuan Financial Institutions

Significant Events Undertaken by LOFSA



January

13 - 15

Participated in the Malaysian Services Exhibition 2008 in Sharjah, UAE, to promote Islamic finance in Malaysia under the Malaysia International Islamic Financial Centre (MIFC) initiatives.

a

28

Launching of Labuan as an International Business and Financial Centre (IBFC) by the Chairman of LOFSA in Kuala Lumpur.

28 - 29

Participated in domestic seminar organised by Malaysian Industrial Development Authority (MIDA)/Small and Medium Industries Development Corporation (SMIDEC).

March

5

Official visit to LOFSA by H.E. Dr Frank Van de Craen, Ambassador of Belgium to Malaysia, and H.E. Petru Petra, Ambassador of Romania to Malaysia.

17

Organised the “Forum on Investment Opportunities Through Labuan IBFC” in Dubai, UAE, in conjunction with the International Advisory Panel meeting.

April

1 - 3

Presented a paper entitled “Doing Business in Labuan IBFC: The Business and Regulatory Framework” at the 7th International Islamic Economic Conference in Jeddah, Saudi Arabia, organised by the Islamic Economic Research Centre.

11

Working visit to LOFSA by YB Dato’ Sri Zulhasnan Rafique, Minister of Federal Territory and YB Datuk M Saravanan, Deputy Minister of Federal Territory.

May

12 - 14

Participated at the Showcase Malaysia Exhibition in Amman, Jordan, organised by MIFC.

14

Labuan IBFC Inc Sdn. Bhd. was incorporated as a marketing entity to promote Labuan IBFC.

June

24 - 26

Participated in the 5th Asia Maritime, Logistic Conference and Exhibition 2008 in Kuala Lumpur to create further awareness on leasing business in Labuan IBFC.

July

10 - 11

Participated in the Asia Pacific Rendezvous Annual Conference in Singapore.

17 - 18

Presented paper entitled “Investment Opportunities Through Labuan IBFC” at the MIDA/SMIDEC Seminar in Kuching, Sarawak.

August

11 - 12

Presented paper entitled “Offshore Trust and Waqaf in Labuan IBFC” at the International Seminar on Waqaf in Johor Bahru.

11 - 13

Participated at the MIF Issuers and Investors Forum, Kuala Lumpur.

Significant Events Undertaken by LOFSA



12

Participated in MIDA's Trade and Investment Mission to promote Labuan IBFC in Singapore.

14 - 15

Presented paper entitled "Investment Opportunities Through Labuan IBFC" at the MIDA/SMIDEC Seminar in Kota Kinabalu, Sabah.

18 - 19

Presented paper entitled "Investment Opportunities Through Labuan IBFC" at the Malaysia Institute of Accountants Regional Conference in Kota Kinabalu, Sabah.

19 - 20

Presented paper entitled "Business Opportunities in Labuan: Tax Perspectives" at the National Tax Conference 2008 organised by the Malaysian Institute of Taxation in Kuala Lumpur.

22

Presentation of LOFSA's Excellence Awards to outstanding graduates of University Malaysia Sabah, Labuan International Campus.

22

Hosted the National Coordinating Committee on Anti-Money Laundering meeting in Labuan.

b

30

Organised the LOFSA Run 2008 in conjunction with Malaysia's 51st National Day in Labuan.

October

22 - 26

Participated in the delegation headed by the Financial Ambassador of MIFC, HRH Raja Nazrin Shah to Kuwait and Saudi Arabia.

c

28

Labuan IBFC Inc Sdn. Bhd.'s new premises was officially opened by the Chairman of LOFSA.



November

6

Delivered keynote address at the “Applied International Business Conference” organised by University Malaysia Sabah, Labuan International Campus.

10

Official visit to LOFSA by H.E. Ashok K. Kantha, High Commissioner of India to Malaysia.

d

14

Organised the Labuan International Islamic Finance Lecture Series III entitled “Positioning and Re-positioning Islamic Finance in the Globalized World” delivered by Dr Mohd Daud Bakar, Chairman of LOFSA’s Shariah Advisory Council.

e

17 - 20

Co-hosted the 5th Kuala Lumpur Islamic Finance Forum 2008 in Kuala Lumpur.

19

Chaired the International Islamic Financial Market 19th Board of Directors Meeting in Kuala Lumpur.

25 - 26

Participated at the National Accountants Conference in Kuala Lumpur.

December

18

Presented paper entitled “Unlocking Opportunities in Islamic Trust in Labuan IBFC” organised by Labuan IBFC Inc Sdn. Bhd. and Bank Islam Trust (Labuan) Ltd.

Guidelines/Circulars Issued by LOFSA

In 2008, the following guidelines/circulars were issued to Labuan financial institutions:

- Guidance Notes for Complaints Against Offshore Entities;
- Guidelines for Carrying on Offshore Leasing Business in Labuan;
- Circular on Election of Tax under Income Tax Act 1967 by an Offshore Company;
- Guidelines on Shariah-Compliant Offshore Trust in Labuan International Business and Financial Centre (IBFC);
- Circular on Approval for Labuan Offshore Companies to Deal and Invest in Malaysia;
- Circular on the Reduction of Annual Fees for Labuan Offshore Companies; and
- Guidelines on Corporate Governance for Offshore Banks.

Note:

For details of the above Guidelines/Circulars, please visit our website – www.lofsa.gov.my

Listing of Labuan Financial Institutions

As at 31 March 2009

Labuan 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 AmBank (M) Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-413133 Fax: 087-425211
E-mail: paul-ong@ambg.com.my
Mr Paul Ong Whee Sen
- 4 AmInternational (L) Ltd (Malaysia)**
Tel: 087-413133 Fax: 087-425211
E-mail: paul-ong@ambg.com.my
Mr Paul Ong Whee Sen
- 5 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
- 6 Bank Islam Malaysia Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-451802 Fax: 087-451800
E-mail: mokhlis@bankislam.com.my
Mr Mokhlis Maizan
- 7 Bank Muamalat Malaysia Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-412898 Fax: 087-451164
E-mail: ahmadnajib@muamalat.com.my
Mr Ahmad Najib bin Nazlan
- 8 Bank of America National Association, Labuan Branch (United States of America)**
Tel: 087-411778 Fax: 087-424778
E-mail: Joanne.Oh@bankofamerica.com
Ms Joanne Oh Phaik Ean
- 9 Barclays Bank Plc, Labuan Branch (United Kingdom)**
Tel: 087-425571 Fax: 087-425575
E-mail: siawloong.miaw@barcap.com
Mr Miaw Siaw Loong
- 10 BNP Paribas, Labuan Branch (France)**
Tel: 087-422328 Fax: 087-419328
E-mail: krishna.chetti@asia.bnpparibas.com
Mr Krishna Chetti
- 11 Calyon, Labuan Branch (France)**
Tel: 087-408334 Fax: 087-408335
- 12 Cathay United Bank, Labuan Branch (Taiwan)**
Tel: 087-452168 Fax: 087-453678
E-mail: pce@cathaybk.com.tw
Mr Pan Chung-En
- 13 CIMB Bank (L) Limited (Malaysia)**
Tel: 087-410302 Fax: 087-410313
E-mail: jemima.haziz@cimb.com
Ms Jemima Haziz

Listing of Labuan Financial Institutions

As at 31 March 2009

- 14 CIMB Bank Berhad, Labuan Offshore Branch (Malaysia)**
Tel: 087-410302 Fax: 087-410313
E-mail: jemima.haziz@cimb.com
Ms Jemima Haziz
- 15 Citibank Malaysia (L) Limited (United States of America)**
Tel: 087-421181 Fax: 087-419671
E-mail: clara.ac.lim@citi.com
Ms Clara Lim Ai Cheng
- 16 Credit Suisse, Labuan Branch (Switzerland)**
Tel: 087-425381 Fax: 087-425384
E-mail: alfred.lee@credit_suisse.com
Mr Lee Chee Meng
- 17 DBS Bank Ltd, Labuan Branch (Singapore)**
Tel: 087-595500 Fax: 087-423376
E-mail: jeffreyling@db.com
Mr Jeffrey Ling Hee Keong
- 18 Deutsche Bank AG, Labuan Branch (Germany)**
Tel: 087-439811 Fax: 087-439866
E-mail: raymond.yeoh@db.com
Mr Raymond Yeoh Cheng Seong
- 19 Dresdner Bank AG, Labuan Branch (Germany)**
Tel: 087-419271 Fax: 087-419272
E-mail: chris.mersey@dkib.com
Mr Christopher David Mersey
- 20 First East Export Bank (plc) (Iran)**
Tel: 087-451688 Fax: 087-453688
E-mail: afzali@bankmellat.co.kv
Dr Ali Mohammadmehdi Afzali
- 21 ING Bank N.V., Labuan Branch (Netherlands)**
Tel: 087-425733 Fax: 087-425734
E-mail: milly.tan@asia.ing.com
Ms Milly Tan
- 22 JP Morgan Chase Bank N.A. (United States of America)**
Tel: 087-424384 Fax: 087-424390
E-mail: ishammudin.mansor@jpmorgan.com
Mr Ishammudin Mansor
- 23 J.P. Morgan Malaysia Ltd (United States of America)**
Tel: 087-459000 Fax: 087-451328
E-mail: ishammudin.mansor@jpmorgan.com
Mr Ishammudin Mansor
- 24 Kuwait Finance House (Labuan) Berhad (Kuwait)**
Tel: 087-418777 Fax: 087-418666
E-mail: nawaf@kfh.com.my
Mr Nawaf A N M Almenayekh
- 25 Lloyds TSB Bank Plc, Labuan Branch (United Kingdom)**
Tel: 087-418918 Fax: 087-411928
E-mail: labuan@lloydstsb.com.my
Mr Barry Francis Lea
- 26 Macquarie Bank Limited, Labuan Branch (Australia)**
Tel: 087-583080 Fax: 087-583088
E-mail: Jonathon.Harvey@macquarie.com
Mr Jonathan Graeme Harvey
- 27 Maybank International (L) Ltd (Malaysia)**
Tel: 087-414406 Fax: 087-414806
E-mail: punjau@maybank-intl.com
Mr Punjau Sepoi

- 28 Mega International Commercial Bank Co., Ltd, Labuan Branch (Taiwan)**
Tel: 087-581688 Fax: 087-581668
E-mail: icbc@tm.net.my
Mr Tai Chih-Hsien
- 29 Mizuho Corporate Bank Ltd, Labuan Branch (Japan)**
Tel: 087-417766 Fax: 087-419766
E-mail: kyoichi.nagata@mizuho-cb.com
Mr Kyoichi Nagata
- 30 Natixis, Labuan Branch (France)**
Tel: 087-581009 Fax: 087-583009
E-mail: rizal.abdullah@ap.natixis.com
Mr Rizal Abdullah
- 31 Oversea-Chinese Banking Corporation Limited, Labuan Branch (Singapore)**
Tel: 087-423381 Fax: 087-423390
E-mail: leongwm@ocbc.com
Mr Leong Wai Mun
- 32 Public Bank (L) Ltd (Malaysia)**
Tel: 087-411898 Fax: 087-413220
E-mail: pb11@streamyx.com
Mr Alexander Wong
- 33 Rabobank Nederland, Labuan Branch (Netherlands)**
Tel: 087-451128 Fax: 087-452328
E-mail: clement.wong@rabobank.com
Mr Clement Wong
- 34 RHB Bank (L) Ltd (Malaysia)**
Tel: 087-417480 Fax: 087-417484
E-mail: rhbl@streamyx.com
Ms Toh Ay Leng
- 35 Societe Generale, Labuan Branch (France)**
Tel: 087-421676 Fax: 087-421669
- 36 Standard Chartered Bank Offshore, Labuan Branch (United Kingdom)**
Tel: 087-417200 Fax: 087-417202
E-mail: Edward.CS.Ng@my.standardchartered.com
Mr Edward Ng Chin Swee
- 37 Sumitomo Mitsui Banking Corporation (Japan)**
Tel: 087-410955 Fax: 087-410959
E-mail: hitoshi_suyama@my.smbc.co.jp
Mr Hitoshi Suyama
- 38 The Bank of East Asia, Limited, Labuan Branch (Hong Kong)**
Tel: 087-451145 Fax: 087-451148
E-mail: arraisag@hkbea.com
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 (Japan)**
Tel: 087-410487 Fax: 087-410476
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Mr Kiyoshi Waki
- 41 The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit Labuan (United Kingdom)**
Tel: 087-419690 Fax: 087-417169
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Mr Chew Hoi Meng

Listing of Labuan Financial Institutions

As at 31 March 2009

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

Tel: 087-423228 Fax: 087-425228
E-mail: jane.lee@rbs.com
Ms Jane Lee Mei Chern

43 UBS AG, Labuan Branch (Switzerland)

Tel: 087-421743 Fax: 087-421746
E-mail: zelie.ho@ubs.com
Ms Zelie Ho Swee Lum

44 United Overseas Bank Limited, Labuan Branch (Singapore)

Tel: 087-424388 Fax: 087-424389
E-mail: uobmlbn@uob.com.my
Ms Angie Ng Bee Hoon

Labuan Investment Banks (Country of Origin)

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

Tel: 087-451660 Fax: 087-451662
E-mail: ismail@alhidayahbank.com
Mr Ismail Mustaffa

2 AmanahRaya Investment Bank Ltd (Malaysia)

Tel: 087-582011 Fax: 087-582013
E-mail: zanariah@arinvestmentbank.com
Ms Zanariah Ja'afar

3 Capital Investment Bank (Labuan) Ltd (Malaysia)

Tel: 087-581488 Fax: 087-583488
E-mail: cibl@streamyx.com
Mr Megat Mizan Nicholas Denney

4 City Credit Investment Bank Limited (Hong Kong)

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

5 ECM Libra Investment Bank Limited (Malaysia)

Tel: 087-408525 Fax: 087-408527
E-mail: slchan@ecmlibra.com
Ms Chan Soon Lee

6 European Credit Investment Bank Ltd (Malaysia)

Tel: 087-412886 Fax: 087-410886
E-mail: kokchee.kong@ecibl.com
Mr Kong Kok Chee

7 First Islamic Investment Bank Ltd (Indonesia)

Tel: 03-21649255 Fax: 03-21643255
E-mail: andibuchari@gmail.com
Mr Andi Buchari

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

Tel: 087-426081 Fax: 087-426080
E-mail: jane.maund@gs.com
Ms Jane Maund

9 Middle East Investment Bank Ltd (United Arab of Emirates)

Tel: 087-451688 Fax: 087-453688

10 Morgan Stanley Labuan Investment Bank Limited (Singapore)

Tel: 087-423828 Fax: 087-424878
E-mail: kate.g.richdale@morganstanley.com
Ms Kate G Richdale

11 OSK Investment Bank (Labuan) Limited (Malaysia)

Tel: 087-414801 Fax: 087-414802
E-mail: yeoh.kokhoe@osk.com.my
Mr Yeoh Kok Hoe

12 RUSD Investment Bank Inc (Saudi Arabia)

Tel: 087-452100 Fax: 087-453100
E-mail: labuan@rusdbank.com
Mr Naseeruddin A Khan

Labuan Reinsurers (Country of Origin)

**1 ACE Tempest Reinsurance Ltd
(Bermuda)**

Tel: 087-442899 Fax: 087-451899
E-mail: gerard.sitaramayya@ace-ina.com
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 Kwee Lim

**3 Allianz SE Life Reinsurance Branch Labuan
(Germany)**

Tel: 087-442899 Fax: 087-451899
E-mail: Rani.Rajasingham@allianzre.com.sg
Mr Nithiarani Rajasingham

**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 BEST Re - Far East Regional Office
(formerly known as BEST Reinsurance
- Far East Regional Office)
(Tunisia)**

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

**6 BEST Re, Family Retakaful Office
(formerly known as BEST 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)**

Tel: 087-417672 Fax: 087-417675
E-mail: atertzakian@ccr.com.my
Mr Alain Tertzakian

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

Tel: 087-417672 Fax: 087-417675
E-mail: kenneth_ng@cireins.com
Mr Kenneth Ng Yu Lam

**9 Cologne Reinsurance Company Plc
(Germany)**

Tel: 087-417672 Fax: 087-417675
E-mail: fmciner@genre.com
Mr Frank Matthew Mcinerney

**10 IAG Re Labuan (L) Berhad
(Australia)**

Tel: 087-442899 Fax: 087-451899
E-mail: nick.hartry@iag.com.au
Mr Nicholas John Hartry

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

Tel: 087-426829 Fax: 087-426830
E-mail: wsj@iginsure.com
Mr Wasef S. Jabsheh

**12 Jerneh Asia Reinsurance Limited
(Malaysia)**

Tel: 087-427818 Fax: 087-426818
E-mail: jareins@tm.net.my
Mr Tan Yoke Leong

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

Tel: 087-442899 Fax: 087-451899
E-mail: zabidi@kuwaitre-my.com
Mr Ahmad Zabidi Ismail

Listing of Labuan Financial Institutions

As at 31 March 2009

- 14 Labuan Reinsurance (L) Ltd (Malaysia)**
Tel: 087-452886 Fax: 087-425070
E-mail: majid@labuanre.com.my
Dato' Majid Mohamad
- 15 Mitsui Sumitomo Insurance Co., Ltd. (Japan)**
Tel: 087-452748 Fax: 087-452750
E-mail: maki-kumagai@ms-ins.com
Mr Maki Kumagai
- 16 Mitsui Sumitomo Reinsurance Limited (Ireland)**
Tel: 087-452748 Fax: 087-452750
E-mail: t-tsuchiya@msre.com.my
Mr Takashi Tsuchiya
- 17 Paris Re Asia Pte. Ltd. (France)**
Tel: 087-427018 Fax: 087-429018
E-mail: daniel.lim@paris-re.com
Mr Daniel Lim Teck Choon
- 18 Partner Reinsurance Company Ltd (Bermuda)**
Tel: 087-417672 Fax: 087-417675
E-mail: emil.bergundthal@partnerre.com
Mr Emil Bergundthal
- 19 RGA Global Reinsurance Company Ltd, Labuan Branch (United States of America)**
Tel: 087-427018 Fax: 087-429018
E-mail: tcheng@hk.rgare.com
Mr Tong Cheng Kin-Shun
- 20 SCOR Global Life SE, Labuan Branch (France)**
Tel: 087-417672 Fax: 087-417675
E-mail: LYEW@scor.com
Mr Lawrence Yew
- 21 SCOR Reinsurance Asia-Pacific Pte Ltd, Labuan Branch (France)**
Tel: 087-417672 Fax: 087-417675
E-mail: BenHo@scor.com
Mr Ho Kwok Tao
- 22 SCOR Switzerland Ltd, Regional Reinsurance Branch Office (Switzerland)**
Tel: 087-422004 Fax: 087-422005
E-mail: BenHo@scor.com
Mr Ho Kwok Tao
- 23 Singapore Reinsurance Corporation Limited (Singapore)**
Tel: 087-417672 Fax: 087-417675
E-mail: mervyn.low@singre.com.sg
Mr Mervyn Low Cheng Chwee
- 24 Sirius International Insurance Corporation (publ), Labuan Branch (Sweden)**
Tel: 087-417672 Fax: 087-417675
E-mail: songkng.yap@siriusgroup.com
Mr Yap Song Kng
- 25 Sompo Japan Insurance Inc. Labuan Branch (Japan)**
Tel: 087-417672 Fax: 087-417675
E-mail: funai@sompojapanre.com.hk
Mr Yasuhiro Funai
- 26 Takaful Re Limited, Labuan Branch (United Arab of Emirates)**
Tel: 087-442899 Fax: 087-451899
E-mail: Abouzaid.C@Takaful-Re.ae
Mr Mohammed Chakib Abouzaid

**27 Tokio Marine Global Re Limited
(Ireland)**

Tel: 087-583001 Fax: 087-583002
E-mail: keith.maruyama@tmgre.com
Mr Keiichi Maruyama

**28 Trust International Insurance and Reinsurance Co.
B.S.C. (c) Trust Re, Labuan
(formerly known as Trust International Insurance
B.S.C. (c), Labuan Branch)
(Bahrain)**

Tel: 087-442899 Fax: 087-451899
E-mail: labuan@trustgroup.net
Mr Nabil Kotran

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

Tel: 087-442899 Fax: 087-451899
E-mail: viswanath.kandasamy@my.thewg.com
Mr Viswanath C Kandasamy

**30 XL Re Ltd Labuan
(Bermuda)**

Tel: 087-442899 Fax: 087-451899
E-mail: ann.chua@xlgroup.com
Ms Chua Lee Li

Labuan General Insurers (Country of Origin)

**1 Etiqa Offshore Insurance (L) Ltd
(Malaysia)**

Tel: 087-417672 Fax: 087-417675
E-mail: farouk.a@etiqa.com.my
Mr Ahmed Farouk Aripin

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

Tel: 087-417672 Fax: 087-417675
E-mail: sb lasina@chubb.com
Mr Stephen Julian Blasina

**3 HIH Casualty and General Insurance (Labuan) Limited
(Australia)**

Tel: 03-77213388 Fax: 03-77213699

**4 Liberty Mutual Insurance Europe Limited,
Labuan Branch
(United Kingdom)**

Tel: 087-417672 Fax: 087-417675
E-mail: Andrew.so@libertyiu.com
Mr Andrew So Jo Han

**5 PT. Asuransi Jasa Indonesia, Labuan Branch
(Indonesia)**

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

**6 Swiss National Insurance Company
(Labuan Branch) Ltd
(Switzerland)**

Tel: 087-417672 Fax: 087-417675
E-mail: phekchoo.cheah@nationalesuisse.com.my
Ms Cheah Phek Choo

Labuan Life Insurers (Country of Origin)

**1 Etiqa Life International (L) Ltd
(Malaysia)**

Tel: 087-582588 Fax: 087-583588
E-mail: farouk.a@etiqa.com.my
Mr Ahmed Farouk Aripin

**2 Hansard International Limited, Far East
(Isle of Man)**

Tel: 087-442899 Fax: 087-451899
E-mail: gordon.marr@hansard.com
Mr Gordon Stuart Marr

Listing of Labuan Financial Institutions

As at 31 March 2009

Labuan Composite 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 MAA International Assurance Ltd (Malaysia)**
Tel: 087-422007 Fax: 087-422008
E-mail: richardgoh@maa.com.my
Mr Goh Ah Hong

Labuan Captives (Country of Origin)

- 1 AKT Co., Ltd (Japan)**
Tel: 087-427018 Fax: 087-429018
E-mail: t_miyake@fournine.co.jp
Mr Takaharu Miyake
- 2 ARS Captive Insurance Corporation (Malaysia)**
Tel: 087-417672 Fax: 087-417675
E-mail: g.lavrishev@challenge-gi.com
Mr Georgy Lavrishev
- 3 Asian Forum Inc (Malaysia/Philippines/Indonesia)**
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- 4 APS Risk Management Sdn Bhd (Japan)**
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5 AWCK International Insurance Company Limited (Hong Kong)

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6 BGC Insurance (L) Limited (Australia)

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7 BIB Asia (L) Berhad (Malaysia)

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8 Blakford Insurance Ltd (Malaysia)

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9 Continental Reinsurance Company Ltd. (Malaysia)

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10 Energas Insurance (L) Limited (Malaysia)

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11 GAP Cover Insurance Inc (Malaysia/Australia)

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Mr Azmi bin Abdullah
- 13 Genting Risk Management (Labuan) Limited (Malaysia)**
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Mr Azmi bin Abdullah
- 14 GHR Risk Management (Labuan) Limited (Malaysia)**
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- 15 Gulf Atlantic and Pacific Insurance Company Ltd. (United States of America)**
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- 16 IRM Limited (Malaysia)**
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- 17 KLK Assurance (Labuan) Limited (Malaysia)**
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- 18 MED RE Sdn. Bhd. (Japan)**
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- 19 Lion Insurance Company Limited (Malaysia)**
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- 23 Pacific Insurance (L) Ltd (Indonesia)**
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- 24 Paragon Insurance Company Limited (British Virgin Islands)**
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- 25 R H Insurance Ltd (Malaysia)**
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Listing of Labuan Financial Institutions

As at 31 March 2009

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27 Something Re. Co., Ltd (Japan)

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28 The Four Nine Asia Sdn Bhd (Japan)

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29 The Mutual Assurance Co. Plc (Malaysia)

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Mr Raymond Wong Wai Bun

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

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31 Warisan Captive Incorporated (Malaysia)

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3 Agilentrisk Limited (Indonesia)

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4 Alexander Beard (Malaysia) Limited (United Kingdom)

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5 Al Wasl Insurance Brokers Limited (United Arab Emirates)

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Ms Linda Susan Wood

- 7 Asia Reinsurance Brokers (Labuan) Ltd.**
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- 8 Asure Re Broker Pte Ltd**
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- 9 Benfield Malaysia Limited**
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- 10 BIB Asia (L) Berhad**
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- 11 Challenge Group Inc**
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- 12 Citystate Risk Management (L) Bhd.**
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- 15 deVere and Partners (L) Ltd**
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- 18 Faramond (Labuan) Ltd**
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- 19 Farringdon Group Ltd.**
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Listing of Labuan Financial Institutions

As at 31 March 2009

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- 22 GAA Direct Limited
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- 23 GS Wealth (L) Ltd
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Dr Alan F King
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- 26 Hansard Development Services (Asia Pacific) Limited
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- 27 HLAP Ltd.
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- 28 Infinity Financial Solutions Ltd
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- 29 Intelligent Investments Limited
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- 30 International Insurance Brokers Limited
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- 32 JCC Reinsurance Ltd
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- 35 Lighthouse Financial Solutions Ltd. (United Kingdom)**
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- 36 Miller Insurance Services (Labuan) Limited (United Kingdom)**
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- 37 Montpelier (Labuan) Ltd (United Kingdom)**
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- 38 Montpelier Nordic Ltd (Sweden)**
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- 40 Orion International Ltd (United Kingdom)**
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- 41 Pacific World Reinsurance Brokers Limited (Bermuda)**
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- 42 Pana Management (L) Ltd (Singapore)**
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- 45 Shine Re International Ltd. (Malaysia)**
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- 46 Sovereign Global Limited (Malaysia) (United Kingdom)**
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Listing of Labuan Financial Institutions

As at 31 March 2009

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49 Uni Financial Reinsurance Services (L) Ltd (Singapore)

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50 William Russell (Asia Pacific) Limited (United Kingdom)

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Mr Nigel Scott Harris

51 Willis Re Labuan Limited (Bermuda)

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2 Etiqa Offshore Insurance (L) Ltd (Malaysia)

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3 Labuan Insurance Management Services Limited (Malaysia)

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

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**10 Wardley Marine Underwriting (International) Limited
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2 Amanah Raya (Labuan) Limited

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3 Bank Islam Trust Company (Labuan) Ltd

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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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7 Equity Trust (Labuan) Limited

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Listing of Labuan Financial Institutions

As at 31 March 2009

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10 Integrated Agents Trust Ltd

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12 KPMG Labuan Trust Company Limited

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13 Law & Commerce Trust Limited

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14 Mayban International Trust (Labuan) Ltd

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15 Noblehouse International Trust Ltd.

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16 PB Trust (L) Ltd

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17 Portcullis Trustnet (Labuan) Limited

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18 RHB International Trust (L) Ltd

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19 Shearn Skinner Trust Company Ltd

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20 SiTiTRUST Administrator Limited

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Ms Siti Hawa Saat

21 Tricor Trustco (Labuan) Ltd.

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Mr Moritz Gubler

22 ZI Labuan Trust Company Limited

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Labuan Company Management

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- 2 EQ Management and Consultancy Limited**
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Mr Raymond Wong Wai Bun
- 3 MAA International Investment Ltd**
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- 2 Arcap Inssef Ltd (Malaysia)**
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Mr Rashdan Ibrahim
- 3 Aurex Management & Investment (L) Limited (Switzerland)**
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Mr Roger Notter
- 4 Avenue Asset Management Services (L) Ltd (Malaysia)**
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Mr Lye Thim Loong

5 Bayt Al Mal Asset Management Company Limited (United Kingdom)

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Mr Nor Azli Mohd Noor

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8 CCIB Asset Management Limited (Hong Kong)

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Listing of Labuan Offshore Financial Institutions

As at 31 March 2009

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**14 Namirah Capital Management Ltd
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**15 Portsmouth Securities Limited
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Mr James Kirby

**18 Trident Investment Ltd
(Australia)**

Tel: 087-414252 Fax: 087-411855
E-mail: azli.noor@cimb.com
Mr Nor Azli Mohd Noor

**19 United Base Global Assets Limited
(Malaysia)**

Tel: 087-414252 Fax: 087-411855
E-mail: jude@ubventure.com
Mr Jude Anthony Sathiananthan

**20 Washington Square Investment Management
(Asia Pacific) Limited
(United Kingdom)**

Tel: 087-451688 Fax: 087-453688
E-mail: steve.basirdin@wsqim.com
Mr Steve Shaiful Hamidi Basirdin

Labuan Associations

1 Association of Offshore Banks Labuan

Level 8(D), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 F T Labuan, Malaysia
Tel: 087-452778 Fax: 087-452779
E-mail: aoblbu@tm.net.my
Chairman: Mr Punjau Sepoi
Secretary: Ms Zelie Ho Swee Lum

2 Association of Labuan Trust Companies

Lot 2 & 3, Level 3, Wisma Lazenda
Jalan Kemajuan, P. O. Box 81479
87024 F T Labuan, Malaysia
Tel: 087-414073 Fax: 087-413281
E-mail: sstc@tm.net.my
Chairman: Mr Chin Chee Kee
Secretary: Ms Lilian Chau Siew Ha

3 Labuan International Insurance Association

c/o Brighton Management Limited
Brighton Place
Ground Floor, Shop Lot No: Uo215
Jalan Bahasa, P. O. Box 80431
87014 F T Labuan, Malaysia
Tel: 087-426489 Fax: 087-426652
E-mail: liia@streamyx.com
Chairman: Mr Majid Mohamad
Secretary: Mr Steve Baker

4 CIMB Bank (L) Limited

Tel: 087-410305 Fax: 087-410313
E-mail: jemima.haziz@cimb.com
Ms Jemima Haziz

5 Citibank Malaysia (L) Limited

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

6 ECM Libra Investment Bank Bhd

Tel: 03-21781888 Fax: 03-20319826
E-mail: shahinf_ja@ecmlibra.com
Mr Shahin Farouque bin Jammal Ahmad

Labuan International Financial Exchange

1 Labuan International Financial Exchange Inc

Unit Level 7(B), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 F T Labuan, Malaysia
Tel: 087-451359 Fax: 087-451379
E-mail: cust-mgmt@lfx.com.my
Mr Mohd Adha Thangarajah Abdullah

7 EQ Funds Services (Asia) Limited

Tel: 087-423828 Fax: 087-417242
E-mail: danny.chong@asia.equitytrust.com
Mr Danny Chong

8 Kenanga Investment Holdings Bhd

Tel: 03-21649080 Fax: 03-21619796
E-mail: ganml@kenanga.com.my
Ms Madeleine Gan

Listing Sponsors

1 Alliance Merchant Bank Bhd

Tel: 03-26927788 Fax: 03-26919028
E-mail: hml@alliancemerchant.com.my
Ms Hwang Mei Lyn

2 AmInternational (Labuan) Limited

Tel: 087-413133 Fax: 087-425211
E-mail: paul-ong@ambg.com.my
Mr Paul Ong Whee Sen

3 Bank Islam Malaysia Berhad, Labuan Offshore Branch

Tel: 087-451802 Fax: 087-451800
E-mail: engkuafandi@bankislam.com.my
Mr Engku Afandi Engku Taib

9 Maybank Investment Bank Berhad

(Formerly known as Aseambankers Malaysia Berhad)
Tel: 03-20591888 Fax: 03-20784220
E-mail: rohaya@aseam.com.my
Ms Rohaya Mohd Yusof

10 OSK Investment Bank (Labuan) Limited

Tel: 087-414801 Fax: 087-414802
E-mail: yeoh.kokhoe@osk.com.my
Mr Yeoh Kok Hoe

Listing of Labuan Offshore Financial Institutions

As at 31 March 2009

Trading Agents

1 Bank Islam Malaysia Berhad, Labuan Offshore Branch

Tel: 087-451802 Fax: 087-451800

E-mail: bislamln@tm.net.my

Mr Engku Afandi Engku Taib

2 CIMB Bank (L) Limited

Tel: 087-410305 Fax: 087-410313

E-mail: jemima.haziz@cimb.com

Ms Jemima Haziz

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