Labuan FSA
Financial Services Authority

ANNUAL REPORT 2011

Labuan Financial Park Complex houses the Labuan FSA and other Labuan financial institutions.

BANKING

Labuan banks are in the business of providing credit facilities, receiving deposits, investment banking services, building credit business, credit token, development finance business, leasing, factoring, money broking, Islamic banking business, or such other business as approved by the Minister of Finance, Malaysia. All Labuan banks are governed and regulated under the Labuan Financial Services and Securities Act 2010 (LFSSA).

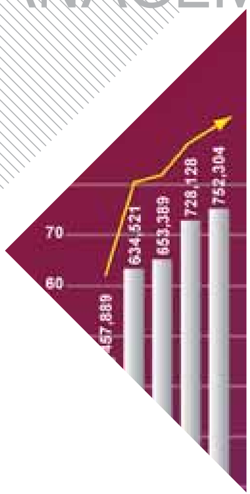
Banks licensed to operate in Labuan IBFC can conduct transactions with Malaysian residents and have the option of operating a marketing office in either Kuala Lumpur or Johor Bahru. Under the co-location guidelines, Labuan Banks may co-locate their offices in any parts of Malaysia.

INSURANCE

Labuan insurance business includes life, general, reinsurance, captive insurance, insurance manager, underwriting manager and insurance broking, but does not include domestic insurance business and it is transacted in foreign currency. Labuan insurers may carry on reinsurance of domestic insurance business in Malaysian currency and such other business as may be specified by Labuan FSA.

The Labuan insurance activities are governed under the LFSSA. Effective March 2011, Labuan insurance and takaful entities, with the exception of insurance manager and underwriting manager, may co-locate their offices in any parts of Malaysia.

WEALTH MANAGEMENT



Labuan IBFC offers a comprehensive array of wealth management products suitable for high net-worth individuals, family offices and other wealth managers needing structures for efficient wealth transfer and inheritance management.

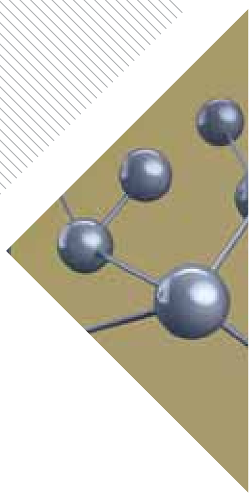
The relevant Acts related to wealth management include the Labuan Trusts Act 1996 (LTA) and the Labuan Foundations Act 2010 (LFA) that accord the establishment of a wide diversity of structures such as trusts and foundations for the management of international and approved Malaysian assets.

FOUNDATION

A foundation is a corporate body with a separate entity, usually established by the founder to hold assets with the objective of managing these assets for the benefit of a class of persons on a contractual basis. It is deemed a separate legal entity from its managers and is typically used for private wealth management and charitable purposes.

The introduction of the LFA represented a significant effort to further diversify the structures offered in Labuan IBFC to global investors. This would enable investors from civil law countries to enjoy the benefits offered in Labuan IBFC by using foundations as a viable alternative to trusts.

LABUAN PROTECTED CELL COMPANY



A Protected Cell Company (PCC) is a limited company which has been separated into legally distinct cells, which allows the assets and liabilities of individual cells to be separated from one another. This flexible structure allows each cell to own part of the company's overall share capital whilst at the same time maintaining sole ownership of its own distinct cell. The cells of a PCC may comprise:

- A single core cell for holding non-cell assets or general assets, or
- Any number of cells with the intention of segregating and protecting the assets of each respective cell.

A Labuan PCC may be established to conduct insurance business, captive insurance business and mutual fund business in accordance to either conventional or Islamic principles. Labuan PCC is established under Labuan Companies Act 1990 (LCA), while its relevant business is governed under LFSSA or Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA).

ISLAMIC FINANCE

The wide range of Islamic financial products and services available in Labuan IBFC includes Islamic banking, Islamic capital market, takaful (insurance), retakaful (reinsurance), Islamic funds, waqf and Islamic trusts administration. The products and services are offered under various Shariah-compliant schemes by the Islamic financial institutions in Labuan.

The LIFSSA streamlines procedures and requirements for all Shariah-related activities in Labuan IBFC.

LABUAN COMPANY

Any person is allowed to establish companies in Labuan IBFC to undertake business in non-ringgit with non-residents or residents in accordance with the provisions of the LCA which provides for the incorporation, registration and administration of Labuan companies. The Labuan companies can carry out either trading or non-trading activities in, from or through Labuan.

LEASING

Leasing is the business of letting or sub-letting property on hire for the use of such property by the hirer, regardless whether the lease is with or without an option to subsequently purchase the said property, on bareboat basis. Property includes plant, machinery, equipment or other chattel attached or to be attached to the ground. Labuan has been a popular jurisdiction for the lease of ships, aircrafts and other heavy machinery for use in the aviation and oil and gas sectors. The Labuan leasing business is governed under the LFSSA.

LISTING OF FINANCIAL INSTRUMENTS

The Labuan International Financial Exchange (LFX) offers unlimited opportunities for global investors and companies by providing an efficient and cost-effective access to the capital market through the listing of both multi-currency conventional and Islamic instruments.

Mission Statement

Labuan FSA 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

Overview

The global economy in 2011 was characterised by continued challenges. Policy spill-overs from the advanced economies and episodes of unexpected global supply disruptions have also affected the global economy. There has generally been weak recovery in employment creation in most advanced economies, while risks emanating from the yet unresolved sovereign crisis in Europe continue to generate significant uncertainties in the global financial market. This has led to intensified volatility in the international financial system and concerns on the sustainability of the global economic recovery.

The emerging economies, including Malaysia, have been affected by these external developments, but have remained resilient, underpinned by continued strength in domestic demand and supported by sound financial systems and stronger regional economic linkages. In Malaysia, growth had been anchored by robust domestic economic activities and the diversified export structure with increasing trade with emerging economies, while the financial system remained in a position of strength, recording high capital and liquidity buffers since the Asian financial crisis. Moving forward, the transformation of Malaysia into a high-income, high value-added economy, reinforced by increased investment activities in infrastructure development, will augur well for Labuan's development as a vibrant international business and financial centre (IBFC).

Despite the challenging global financial markets, the business activities and performance of the financial services sector in Labuan IBFC have recorded commendable results in terms of value and volume of business activities across all key sectors. Labuan IBFC also had an increase in the diversity of investors conducting business in Labuan IBFC.

Performance of Labuan IBFC

Labuan IBFC's strategic location and the financial infrastructure, including the regulatory framework, have continued to be important for reinforcing the prospects for businesses to advance their opportunities in the region. Despite the challenging global financial markets, the business activities and performance of the financial services sector in Labuan IBFC have recorded commendable results in terms of value and volume of business activities across all key sectors. Labuan IBFC also had an increase in the diversity of investors conducting business in Labuan IBFC.The recent establishment of the ASEAN Infrastructure Fund in Labuan reflects Labuan IBFC's strategic capabilities in facilitating the cross-pollination of infrastructure investments in the region. This is complemented by continuous enhancements to the legislative framework to facilitate new business activities.

In 2011, the leasing sector remained one of the most vibrant sectors in Labuan IBFC, with a 29.0% increase in the number of licensed leasing companies to 227 companies (2010: 176 companies), and its accumulated assets leased of USD27.6 billion (2010: USD25.0 billion). The majority of leasing companies originated from the Asia Pacific region, with strong focus on the oil and gas and the aviation industries. This provided strong support for the growth and development of the oil and gas sector, where Labuan has an inherent comparative advantage.

Chairman's Statement

The Labuan insurance sector remained resilient in 2011, with the capitalisation and solvency ratio standing five times above the regulatory requirements. The industry also expanded steadily by 7.1%, bringing the total of approved insurance companies to 181 from 169 in the previous year. Gross written premiums also grew to USD1.6 billion (2010: USD1.2 billion), with a two-fold increase in premiums written for investment-linked policies driven by the strong demand from high net worth individuals in the region.

The Labuan banking sector showed resilience with strong levels of capital. The risk-weighted capital ratio and core capital ratio was 22.1% and 23% respectively in 2011. Loans outstanding to non-residents continued to dominate the market in 2011, accounting for approximately 63.8% of total financing by Labuan banks, while lending to the mining and quarrying sector, which includes the oil and gas activities, increased. This supports Labuan IBFC's aspiration to become a regional hub for the oil and gas trading business.

The incorporation of Labuan companies in 2011 also registered steady growth. Out of the 8,655 Labuan companies registered in 2011, 58.0% were from the Asia Pacific region, 13.9% from the Far East, 13.6% from Europe, 10.2% from the Americas, and 4.2% from the Middle East and Africa. This number is expected to grow with the increasing infrastructure development that is expected to take place in Asia.

In 2011, Labuan trust business continued to expand, diversifying beyond the basic provision of administrative and secretarial services. As a result, Labuan trust companies reported a significant increase in its aggregate operating income to USD18.6 million (2010: USD15.4 million). Seven new international trust companies were given approval to operate in 2011.

Labuan IBFC also witnessed a growing interest in Islamic financial services with several sukuk issuances. In particular, there were two series of USD2 billion trust certificates issued by Wakala Global Sukuk Berhad, and China Remnimbi-Denominated Trust Certificates of CNY0.5 billion issued by Danga Capital Berhad.

In 2011, total assets in the Islamic banking sector showed positive growth, reaching USD1.49 billion (2010: USD1.3 billion), with total financing increasing to USD294.6 million. This is attributed to the growing number of international banks establishing Islamic businesses in Labuan. The retakaful sector also recorded double-digit growth, with gross contributions improving by 54.6%.

During the year, the Authority continued to deliver an effective anti-money laundering regime which represents a key component of the regulatory and supervisory system in the Labuan IBFC. This has contributed to sustained confidence in the integrity of the financial sector in the Labuan IBFC. Building on this foundation, the Authority has outlined plans in the Financial Sector Blueprint to implement an enhanced framework for prudential and conduct regulation and supervision that is consistent with current international standards and that will support the orderly future development of the Labuan IBFC. This work will include updating existing regulations, implementing improved supervisory methodologies and practices, establishing enhanced arrangements for supervisory cooperation with both domestic and foreign supervisory authorities and substantially upskilling the Authority's supervisory resources and capacity to deal with the increasing complexity of the global financial system. While the financial industry remains relatively small at present in comparison with the onshore financial system, a strengthened regulatory and supervisory framework will provide critical support to the realisation of the Labuan IBFC's future growth potential, while contributing to overall financial stability in Malaysia.

A number of milestones in market and product development were also achieved in 2011. This included the introduction of the Labuan Pre-Incorporated Company, the Labuan International Trading Company under the Global Incentive for Trading Programme (GIFT), and enhancements to the insurance industry through the co-location policy. These were among the key initiatives by the Authority to continuously enhance the performance of Labuan IBFC. A significant development was made under the GIFT Programme for the oil and gas traders to advance Labuan IBFC as a regional hub for oil and gas trading activities.

Beyond the supervisory and business enhancements, Labuan FSA also focused on internal organisational development to further enhance the capacity and capability of the organisation and its people. The Labuan FSA Transformation Programme was implemented following the strategic review of Labuan IBFC in 2011, with the aim of enhancing the core competency of the Authority. The structural and process changes implemented gave greater focus and clarity to the strategic functions of the Authority. The transformation includes enhancing the competencies of the Authority's workforce as the regulatory and supervisory regime is strengthened following changes in global financial regulations.

Moving forward

Labuan IBFC, located in a growth centre of the Asia Pacific region, is well positioned as a business and financial centre to serve the needs of both domestic and regional businesses, and investors. The Financial Sector Blueprint 2011-2020 (Blueprint) identifies niche areas such as wealth management, captive insurance, leasing and retakaful as foundations for further development in Labuan IBFC. Underpinning the strategies and in tandem with the global regulatory reforms, the Labuan FSA will also review and strengthen the regulatory and supervisory framework of Labuan IBFC to meet international standards and best practices. Additionally, to support the growing sophistication and diversity of financial institutions in Labuan, guidelines on capital standards, corporate governance and specific risk areas will be formulated. This is to ensure the sustainable growth of Labuan. The supervisory oversight will be further enhanced with a more robust market surveillance and supervisory framework.

Chairman’s Statement

For the year ended 31 December 2011, Labuan FSA recorded an increase in operating income of RM26.9 million compared to RM23.0 million in 2010, while total reserves remained strong at RM25.2 million compared to RM28.1 million in 2010.

Acknowledgement

On behalf of the Members of the Authority, I would like to accord my appreciation to Members of the International Advisory Panel, Shariah Supervisory Council, the Islamic Finance Committee and the industry for their unwavering support and commitment. I wish to also express my gratitude to three former Members of the Authority, the former Director-General of the Labuan FSA, Datuk Azizan Abdul Rahman, Datuk Dr. A. Manaf Hussin and Dato’ Azmi Ariffin, whose terms ended in 2011. I am pleased to welcome the new Director-General, Encik Ahmad Hizzad Baharuddin, Dato’ Siti Halimah Ismail, Encik Mohd Naim Daruwish and Datuk Ranjit Ajit Singh as new Members of the Authority.

Zeti Akhtar Aziz
Chairman

7 June 2012

Corporate Profile

Labuan Financial Services Authority (Labuan FSA) was established on 15 February 1996 under the Labuan Financial Services Authority Act 1996. Labuan FSA is the statutory body responsible for the development and administration of the Labuan International Business and Financial Centre (Labuan IBFC).

OBJECTIVES OF LABUAN FSA

Under the government's vision to position Labuan as a progressive and an integrated financial centre catering for the Asia-Pacific market, the activities of the Labuan FSA are guided by the following objectives:-

- to promote and develop Labuan as an international centre for business and financial services;
- to develop national objectives, policies and priorities for the orderly development and administration of the international business and financial services in Labuan; and
- to act as the central regulatory, supervisory and enforcement authority of the international business and financial services industry in Labuan.

Labuan FSA subscribes to international standards and best practices and is home to many diversified financial service providers, which include 60 international banks, 181 insurance and insurance related companies and 227 leasing companies. The holistic review and modernization of the Labuan IBFC legal framework in 2010 had allowed for the creation of new and more innovative products and structures to meet the growing demands of international investors who are looking for the most efficient and cost-effective means of doing business. Other products and structures offered by the Labuan IBFC include the Labuan Foundation, Labuan Protected Cell Companies, Labuan Limited Liability Partnership, Labuan Special Trust and the recognition of Labuan under the Malaysia International Ship Registry.

MEMBERSHIP OF THE AUTHORITY

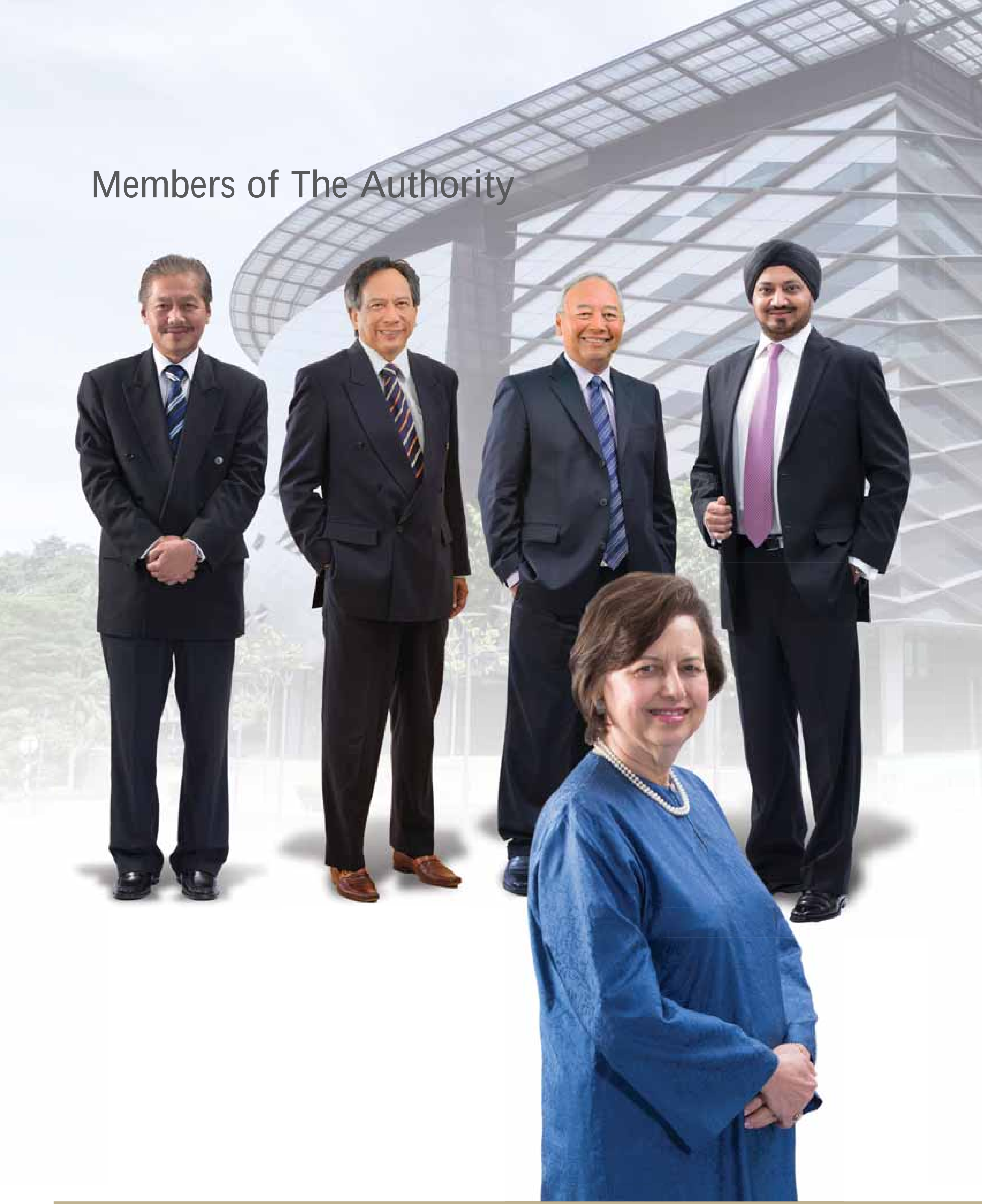
Labuan FSA is governed by a board known as the Authority whose members are appointed by the Minister of Finance for a term not exceeding three years, after which they are eligible for reappointment. The current members comprise business leaders from the private sector as well as representatives from 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 Labuan FSA is entrusted to the Director-General.

The members of the Authority are:

- Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Chairman
- Datuk Oh Chong Peng
- Dato' Mohammed Azlan Hashim
- Datuk Ali Abdul Kadir
- Mr. Zainul Abidin Abdullah
- Dato' Siti Halimah Ismail (since 16 May 2011)
- Mr. Ahmad Hizzad Baharuddin, Director-General (since 3 October 2011)
- Mr. Mohd Naim Daruwish (since 1 January 2012)
- Datuk Ranjit Ajit Singh (since 1 April 2012)
- Datuk Dr. A Manaf Hussin (until 14 May 2011)
- Dato' Azizan Abd Rahman (until 8 September 2011)
- Dato' Azmi Ariffin (until 31 October 2011)
- Tan Sri Zarinah Anwar (until 31 March 2012)

Members of The Authority



Front row from left

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz,
Chairman

Mr. Ahmad Hizzad Baharuddin,
Director-General

Back row from left

Mr. Zainul Abidin Abdullah

Datuk Ali Abdul Kadir

Datuk Oh Chong Peng

Datuk Ranjit Ajit Singh

Dato' Mohammed Azlan Hashim

Mr. Mohd. Naim Daruwish

Dato' Siti Halimah Ismail

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz,

Chairman

Dr. Zeti is the Governor of Bank Negara Malaysia. She has a key role in the financial reform and the successful transformation of the Malaysian financial system into one of the most developed and resilient financial systems in an emerging economy.

Dr. Zeti chaired the Executive's Meeting of East Asia Pacific Central Banks Taskforce on "Regional Cooperation among Central Banks in Asia" to draw up the blueprint for financial cooperation in the region. She is currently the co-chair of the Financial Stability Board's regional consultative group for Asia with the Bank of Korea. She is a member of the Bank for International Settlements (BIS) Central Bank Governance Group and a founding member of the Asian Consultative Council for the BIS.

In Islamic finance, she is actively involved in the international development of Islamic finance. Dr. Zeti has been actively involved in the establishment of the Islamic Financial Services Board Council and the International Islamic Liquidity Management Corporation. She also chaired the High-Level international "Taskforce on Islamic Finance and Global Financial Stability" initiated by the Islamic Development Bank. She was a member of the United Nations General Assembly Commission of Experts on Reform of the International Monetary and Financial System.

Dr. Zeti received her Bachelor Economics (Honours) from the University Malaysia and her PhD from University of Pennsylvania.

Datuk Oh Chong Peng

Datuk Oh is the Chairman of the Alliance Financial Group and Non-Executive Director of the various Board of public listed companies such as British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad, Malayan Flour Mills Berhad, Dialog Group Berhad, Kumpulan Europlus Berhad and a trustee of UTAR Education Foundation. He was a partner of Coopers & Lybrand Malaysia and a government-appointed member of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia) as well as the Malaysian Accounting Standards Board.

Datuk Oh is a Fellow of the Institute of Chartered Accountants, England and Wales. He was a council member of the Malaysian Institute of Certified Public Accountants from 1981-2002 and served as President from 1994-1996.

Dato' Mohammed Azlan Hashim

Dato' Mohammed Azlan is the Chairman of D&O Green Technologies Berhad, SILK Holdings Berhad and Labuan IBFC Incorporated Sdn. Bhd. He is also a member of the board for Khazanah Nasional Berhad, Scomi Group Berhad, Employees Provident Fund and the Government Retirement Fund Inc. Investment Panel. He has held various key positions including that of Chief Executive 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 and is a qualified Chartered Accountant (Australia). He is a Fellow Member of the Institute of Chartered Accountants, Australia, Malaysian Institute of Directors, Institute of Chartered Secretaries and Administrators and Honorary Member of The Institute of Internal Auditors, Malaysia and member of The Malaysian Institute of Accountants.

Datuk Ali Abdul Kadir

Datuk Ali is the Chairman of Jobstreet Corporation Berhad, Milux Corporation Berhad, Microlink Solutions Berhad, Privasia Technology Berhad and the Financial Reporting Foundation. He currently serves as a Board Member of Glomac Berhad, and a member of the Advisory Panel of the Companies Commission of Malaysia.

Datuk Ali was the Chairman of the Securities Commission of Malaysia (SC) from 1999-2004. During his tenure, he was elected chairman of IOSCO's Asia-Pacific Region Committee, trustee of AAOIFI and Force of Nature Aid Foundation and was also Advisor to the Sri Lanka Securities Commission for its capital market Blueprint. He was appointed as Adjunct Professor in the Accounting and Business Faculty, University of Malaya in 2008 and retired in August 2011 and was then appointed to the Advisory Board of the same Faculty.

Datuk Ali is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and is currently Honorary Advisor to ICAEW Malaysia, Honorary Fellow of the Institute of Chartered Secretaries and Administrators (UK) and the Malaysian Institute of Directors.

Mr. Zainul Abidin Abdullah

Mr. Zainul Abidin is the Chief Executive Officer of Labuan Corporation. Mr Zainul started his service in the public sector under the Ministry of Transport in 1984 and had also served the Ministry of Federal Territories and Urban Wellbeing.

Mr. Zainul Abidin holds a Bachelor of Arts (Hons) from the University of Malaya, a Diploma in Public Administration from INTAN and a Masters of Science (MSc) in Human Resources Development from University Putra, Malaysia.

Dato' Siti Halimah Ismail

Dato' Siti Halimah is the Under Secretary of the Tax Analysis Division of the Ministry of Finance (MOF). She began her career with the Government as Assistant Director in the Human Resources Section, Economic Planning Unit of the Prime Minister's Department and has since held various senior positions in the Tax Analysis Division of MOF.

She is currently a Board member of the Inland Revenue Board, Malaysia-Thailand Joint Authority, Malaysian Investment Development Authority, Halal Industry Development Corporation and an alternate Board member to the Secretary-General of Treasury of MOF in PETRONAS.

Dato' Siti Halimah holds a Bachelor of Economics from the University of Malaya and a Masters of Science (Demography) from the London School of Economics, United Kingdom.

Mr. Mohd Naim Daruwish

Mr. Mohd Naim is the Chief Executive Officer of the Companies Commission of Malaysia. He started off his career as a Legal Officer with Bank Pertanian Malaysia in 1984 before being appointed as Magistrate in 1985, and later as Senior Magistrate.

He has served in various positions in the Employees Provident Fund, such as the Senior General Manager of Legal and Contribution Department. Mr. Mohd Naim graduated with a LLB (Hons) degree from the University of Malaya.

Datuk Ranjit Ajit Singh

Datuk Ranjit was appointed Executive Chairman of the Securities Commission of Malaysia (SC) effective April 2012. He was previously Managing Director of the SC and has over 20 years experience in the field of finance and securities regulation.

Datuk Ranjit is a member of the governing Board of the International Organization of Securities Commissions (IOSCO). He is also the Vice-Chairman of IOSCO's Emerging Markets Committee with 86 jurisdictions. Datuk Ranjit was a founding member of the Malaysian Accounting Standards Board and currently chairs the Securities Industry Development Corporation and the Capital Market Development Fund and is the Vice-Chairman of the Asian Institute of Finance.

Datuk Ranjit is trained as a financial economist and accountant. He holds a Bachelor of Economics (Honours) degree and a Master of Economics degree in Finance from Monash University, Melbourne and is a fellow of CPA Australia. He has had prior working experience in Australia and Malaysia in academia, consulting and accounting.

Mr. Ahmad Hizzad Baharuddin

Mr. Ahmad Hizzad was appointed the Director-General of Labuan Financial Services Authority (Labuan FSA) on 3 October 2011. He currently serves as director of the Board for Labuan IBFC Inc. Sdn Bhd, LabuanFSA Incorporated Sdn Bhd, Pristine Era Sdn Bhd, Financial Park (L) Sdn Bhd, Labuan Corporation and a member of the Audit Committee of Labuan Corporation. Mr. Ahmad Hizzad is also a Board Member of the International Islamic Financial Market in Bahrain.

Prior to his appointment in Labuan FSA, Mr. Ahmad Hizzad was the Director of Islamic Banking and Takaful Department in Bank Negara Malaysia (BNM). He started his career in BNM in 1986 and has served in various departments in the Bank. Mr. Ahmad Hizzad holds a Masters Degree in Business Administration from St. Louis University, St. Louis, Missouri, United States of America.

FUNCTIONS OF LABUAN FSA

Labuan FSA has been entrusted with the following functions:

- To administer, enforce, carry out and give effect to the provisions of the:
  - Labuan Business Activity Tax Act 1990;
  - Labuan Companies Act 1990;
  - Labuan Financial Services Authority Act 1996;
  - Labuan Trusts Act 1996;
  - Labuan Foundations Act 2010;
  - Labuan Financial Services And Securities Act 2010;
  - Labuan Islamic Financial Services And Securities Act 2010;
  - Labuan Limited Partnerships and Limited Liability Partnerships Act 2010; and
  - Any other laws relating to business and financial services in Labuan
- To exercise, discharge and perform regulatory and supervisory powers, duties and functions in accordance with the laws;
- To maintain the good repute of Labuan as an international business and financial centre;
- To carry out research and commission studies on financial services in Labuan;
- To make recommendations for the creation and improvement of facilities to enhance the attraction of Labuan as a centre for financial services;
- To co-operate with financial institutions and industry associations in Labuan to promote and provide financial services and to foster high standards for Labuan's financial services;
- To advise and make recommendations to the Minister on matters relating to financial services in Labuan IBFC; and
- To carry out all such activities and to do all such things as are necessary or advantages and proper for the administration of the Authority, or for such other purposes as may be directed by the Minister.

INTERNATIONAL MEMBERSHIPS

Labuan FSA is a member of several international organisations that promote a high level of regulatory standards amongst international financial centres. These organisations are:

a. **International Association of Insurance Supervisors (IAIS)**
IAIS was established in 1994 to represent insurance regulators and supervisors from 190 international financial jurisdictions to promote financial stability by working closely with financial sector standard setting bodies and international organisations. The IAIS issues global insurance principles, standards and guidance papers, provides training and support on issues related to insurance supervision, and organises meetings and seminars for insurance supervisors. *(Member since 1998)*

b. **Group of International Financial Centre Supervisors (GIFCS)**
The GIFCS (formerly known as the Offshore Group of Banking Supervisors) was formed in October 1980 to promote a positive, constructive and coordinated response to the approaches made by other supervisory authorities. *(Member since 1999)*

c. **Offshore Group of Insurance Supervisors (OGIS)**
OGIS is a grouping of insurance regulators and supervisors from offshore jurisdictions with the aim of promoting proper supervision of offshore business. OGIS membership provides a unique facility for offshore jurisdictions to exchange information in maintaining the highest international standards of insurance regulation. *(Member since 1999)*

d. **Asia/Pacific Group on Money Laundering (APG)**
APG is an international grouping of more than 40 members founded in 1997 that facilitates improvements for compliance with the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) standards. It also assesses APG members' compliance with the global AML/CFT standard through mutual evaluation and conducts research into money laundering and terrorist financing methods, trends, risks and vulnerabilities. *(Member since 2000)*

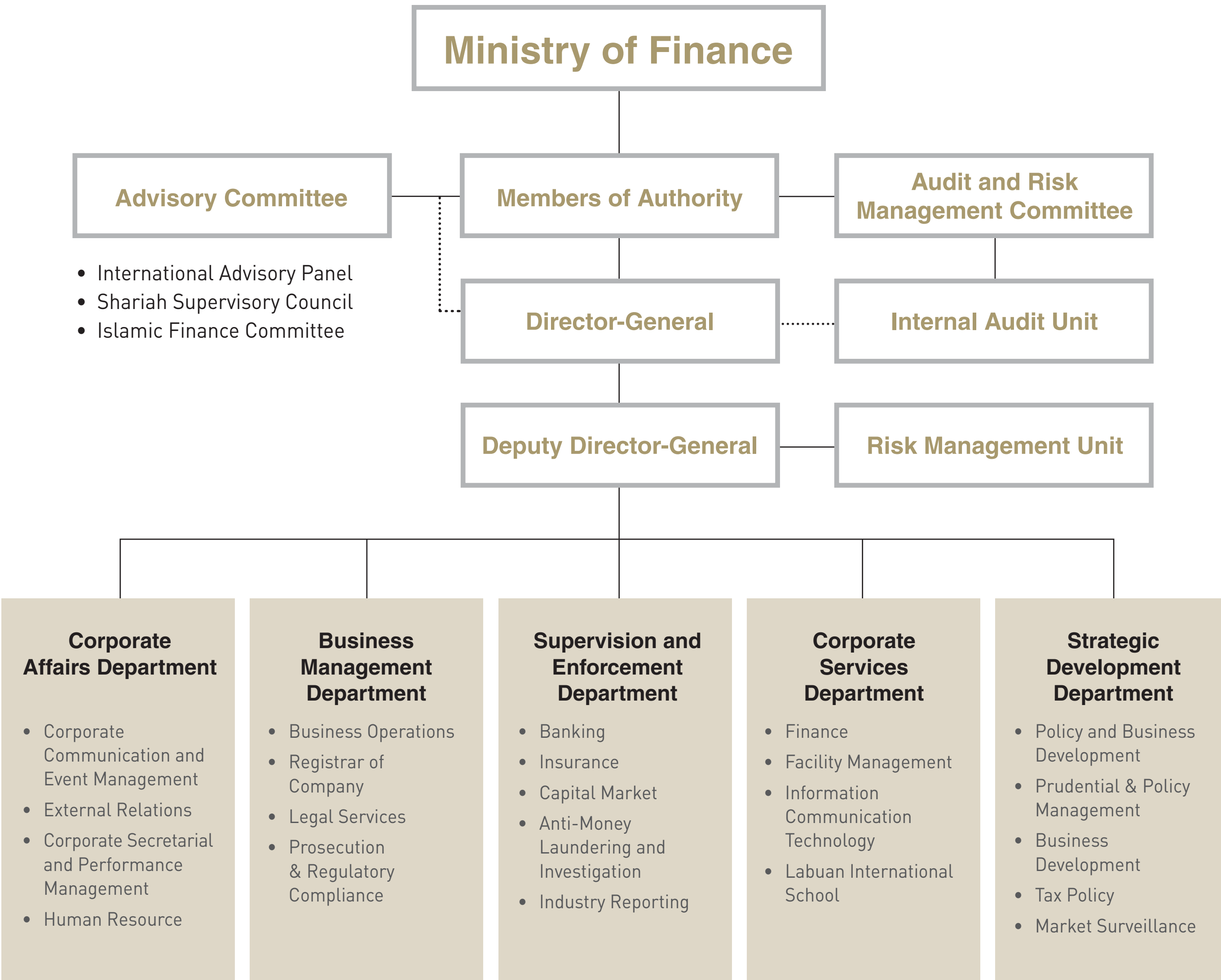
e. **International Islamic Financial Market (IIFM)**
IIFM is the global standardization body for the Islamic Capital & Money Market segment of the Islamic financial market. IIFM acts as a market body in the development and maintenance of uniformity, assist with standards benchmarking for transparency and robustness of Islamic financial market. Its primary focus lies in the standardization and Shariah harmonization of Islamic products, documentation and related processes. IIFM also provides universal platform to market participants through "Global Working Groups" for the development of Islamic capital and money market. *(Member since 2002)*

f. **International Organisation of Securities Commissions (IOSCO)**
IOSCO is the worldwide association of national securities regulatory commissions. The role of the IOSCO is to assist its members to promote high standard of regulations and act as a forum for national regulators for international cooperation. Labuan FSA is a full signatory to IOSCO MMoU Concerning Consultation and Cooperation and the Exchange of Information. *(Member since 2003)*

g. **Islamic Financial Services Board (IFSB)**
IFSB is an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry. IFSB promotes the development of prudent and transparent Islamic financial services through the introduction of new, or adaptation of existing international standards consistent with Shari'ah principles. IFSB complements the Basel Committee on Banking Supervision, IOSCO and the IAIS. *(Member since 2003)*

ORGANISATION STRUCTURE

The functions of Labuan FSA are structured in six core areas, namely, the Corporate Affairs Department, Business Management Department, Supervision and Enforcement Department, Corporate Services Department, Strategic Development Department, and the Internal Audit Unit. The structure enables Labuan FSA to effectively regulate and supervise the international business and financial community in Labuan IBFC.



GROUP CORPORATE STRUCTURE

Labuan FSA owns the LabuanFSA Incorporated Sdn. Bhd., an investment holding company, established in December 1999. Pristine Era Sdn. Bhd. and Labuan IBFC Incorporated Sdn. Bhd. are subsidiaries of LabuanFSA Incorporated Sdn. Bhd.

The principal activities of Pristine Era Sdn. Bhd. involve the management of Labuan International School while Labuan IBFC Incorporated Sdn. Bhd. was set up to market and promote the Labuan International Business and Financial Centre.

Labuan FSA
Financial Services Authority

100%
LabuanFSA Incorporated Sdn. Bhd.
(established 1 December 1999)

100%
Labuan IBFC Incorporate Sdn. Bhd.
(established 14 May 2008)

100%
Pristine Era Sdn. Bhd.
(established 7 September 1995)

Dataran Labuan located at the heart of Labuan administrative centre.

The International Advisory Panel

The International Advisory Panel (IAP), which was set up in 2004, is a consultative body that advises on the strategic direction of the IBFC relating to the business and market developments. The Authority appoints members of the IAP.

The members of the IAP are:

Dato' Mohammed Azlan Hashim, Chairman

Dato' Seri Ahmad Johan Mohammad Raslan

Mr. Anthony Neoh, QC, SC

Mr. Iqbal Khan

Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor

Datuk George Ratilal

Mr. Michael Troth

Baron Frederik vanTuyll

Mr. Mark Lea

Datuk Wira Jalilah Baba

Mr. Frank McInerney

The Shariah Supervisory Council

The Shariah Supervisory Council (SSC) was set up in 2002 and comprises renowned Malaysian and international Islamic finance scholars. The Council reviews the compatibility of proposed financial instruments to Shariah compliant requirements. It also advises Labuan FSA on the development of Islamic jurisprudence principles. The members of the SSC are appointed by the Authority.

The members of the SSC are:

Dr. Mohd Daud Bakar
Chairman

Dato' Dr. Abdul Halim Ismail

Professor Madya Dr. Ahmad Shahbari @ Sobri bin Solomon

Dr. Hussein Hamad Hassan

Dr. Mohamed Ali Elgari Bineid

Dr. Engku Rabiah Adawiah

Senior Management of Labuan FSA

Standing from right

- **Mr. Iskandar Mohd Nuli**
  Senior Director, Business Management Department
- **Mr. Ahmad Hizzad Baharuddin**
  Director-General
- **Mr. Danial Mah Abdullah**
  Deputy Director-General
- **Mr. Md. Yunus Atip**
  Director, Strategic Development Department

Seating from right

- **Mr. Mohd Rizlan Mokhtar**
  Director, Corporate Services Department
- **Ms. Norashikin Shariff**
  Director, Corporate Affairs Department
- **Mr. Azuddin Jasin**
  Director, Supervision and Enforcement Department

Statement of Corporate Governance

The Labuan Financial Services Authority (Labuan FSA) derives its power from the Labuan Financial Services Authority Act 1996 (Act). The Act provides clarity to the scope of Labuan FSA's statutory objectives and functions. It empowers Labuan FSA to issue guidelines, directives and advisories including obtaining relevant information from Labuan entities and other enforcement authorities for the effective conduct of its mandated role. As the statutory regulator for the Labuan International Business Financial Centre (IBFC), Labuan FSA advocates high standards of corporate governance and best practices.

GOVERNANCE FRAMEWORK

The governance framework of Labuan FSA has been broadly translated into the organisational structures and processes, which reinforces the direction, control and accountability of the Authority. The framework constitutes a set of relationships comprising the supervisory authority, management and stakeholders, vis-a-vis a collaborative decision making and consultative organisation structure, through which the objectives of Labuan FSA are established, and means of attaining the business objectives and its performance are monitored and measured.

The three core components which underpin the governance framework of Labuan FSA is aimed at driving the performance and outcomes of the Labuan IBFC. These components as depicted in Diagram 1 comprised:

- *An accountability* structure with a view of the Authority's impact on the expected performance of Labuan IBFC;
- Mechanisms that enhance the integrity of the organisation, its operations and the conduct of its staff and agents; and
- *Transparency* of the organisational conduct for the promotion of an efficient business and financial system under Labuan FSA's supervision.

Diagram 1 : Components of Governance

Accountability	**Authority's oversight through:** • Stewardship along the IBFC's strategic directions, mandated objectives and adoption of best practices • Effective use of internal resources
Integrity	**Alignment of Individual values with organizational values through:** • Implementation of governance structures and processes including internal controls • Enterprise Risk Management • Guideline on Whistle Blowing and Business Continuity Plan
Transparency	**Collaboration with relevant key stakeholders to achieve mutual goals through:** • Balanced disclosure and effective communication • Smart partnerships and strategic collaboration

The framework of governance further reinforces the integration of the core components to ensure coherent functioning of the organisational systems.

The Minister of Finance may, from time to time, require the Authority to furnish information regarding its performance under the Act and other law relating to Labuan financial services. As a regulatory and supervisory body of an international business and financial centre, the Authority continues to work closely with the other domestic and regional regulators as well as relevant international standard setting bodies.

ACCOUNTABILITY

Accountability within Labuan FSA is manifested and enforced through its stewardship, decision-making structure and effective use of internal resources towards meeting the mandated objectives and interests of the stakeholders.

The Stewardship

In the hierarchy of authority governing Labuan FSA, the Authority is the highest decision making body and is represented by a group of nine prominent non-executive members and the Director-General of Labuan FSA. These non-executive members are drawn from individuals representing the public and private sectors, who bring with them the relevant knowledge, skills and experience to the deliberation and decision making of the Authority. Pursuant to Section 5 of the Act, the members of the Authority are appointed by the Minister of Finance where the composition of the Authority shall consist of a Chairman, the Director-General and not less than three but not more than seven other persons, two of whom shall be from the public sector.

While the Act provides that the Director-General is to be directly responsible for the administration and day-to-day operations of Labuan FSA, the Authority ensures the oversight on the management through its supervisory role and the strategic directions of the business. These oversight functions include the review and approval of business policies and guidelines for the sustained competitiveness and development of the IBFC. The Authority also ensures that the internal resources are utilised and managed in the most efficient manner, where their periodic updates are included as one of the permanent agenda items during the meetings of the Authority.

There were six Authority meetings held in 2011. Among the permanent agenda items discussed apart from the management and utilisation of internal resources included review of the industry performance against the current and emerging developments of the local and international economies as well as financial conditions.

The Audit and Risk Management Committee

In fulfilling its oversight responsibilities, the Authority is assisted by the Audit and Risk Management Committee (ARMC). The oversight responsibilities of the ARMC among others are to ensure the appropriate internal controls, good risk management practices and a robust corporate governance structure are in place and implemented to safeguard the interests of Labuan FSA. The ARMC also advises the Authority on the quality of financial reporting and its compliance with acceptable accounting standards and relevant regulatory frameworks which are enforced. The roles and responsibilities of the ARMC are guided by a set of terms of reference, which is endorsed by the Authority.

As at December 2011, the ARMC comprised the following Authority members:

Datuk Oh Chong Peng	Chairman
Dato' Mohammed Azlan Hashim	Member
Datuk Ali Abdul Kadir	Member
Mr. Zainul Abidin bin Abdullah	Member (effective 18 February 2011)

The ARMC convened six meetings in 2011 and performed the following key activities:

- Reviewing the scope of the internal audit plan for 2011 and providing oversight on the work performed by the internal auditors throughout the year;
- Reviewing accounting and financial reports including other key issues raised by the internal and external auditors, and Auditor-General's office;
- Reviewing financial reports including the quarterly and annual financial statements;
- Reviewing and advising the Authority on the 2011 Budget Proposal;
- Reviewing and advising the management on the Business Continuity Plan and its implementation; and
- Reviewing and advising on the status of risk issues and its management as they relate to the strategic, financial, operational, legal and reputational risks of Labuan FSA.

INTEGRITY

The effective governance of Labuan FSA is built on the principle of "integrity", where the resulting output on the organisation's image or reputation would stem from the alignment between individual and the following organisational shared values:

- Integrity, commitment and professionalism;
- Open and honest communication;
- Teamwork;
- Business and customer oriented; and
- Continuous learning.

Good corporate culture demands high integrity at all levels of the organisation. This is especially true given Labuan FSA's role as the single competent authority in ensuring the stability of Labuan IBFC. Towards this end, the Authority has put in place an enabling environment to support its operations together with a team of competent and professional staff, an effective set of internal controls and a business risk management framework to ensure the stability of the financial and business system.

Organisational Compliance and Enterprise Risk Management

Throughout 2011, the Internal Audit Unit (IAU) performed its regular audit on selected functions of Labuan FSA ensuring that the risk management, internal controls and governance processes continue to remain effective. The IAU adopts a risk-based approach that is in line with industry best practices and prioritises the high risk areas during the implementation of the 2011 Internal Audit Plan, as approved by the ARMC at the beginning of the year. To maintain the integrity of the conduct of the internal audit, a quality assurance exercise was performed in 2011 by an independent external assessor. The assessment was performed against the requirements for compliance with the International Standards for the Professional Practice of Internal Auditing.

Labuan FSA continued to adopt and implement the Enterprise Risk Management (ERM) framework in 2011. The framework creates a platform upon which the risk management activities are embedded in the day-to-day planning, execution and monitoring of the corporate strategies and goals of the business. The adoption of processes within the life-cycle of the ERM, as depicted in Diagram 2, ensures that the activities performed remain appropriate and prudent, and that the significant risks are managed and monitored continuously.

Diagram 2: Life-cycle of Labuan FSA's ERM

The Enterprise Risk Management process comprises the following steps:

1. *Identify* risk
2. *Analyse* the potential impact and likelihood of risks including existing controls
3. *Mitigate* risks by selecting, prioritizing and implementing appropriate actions
4. *Monitor* internal and external environment for potential changes to risks and ensure risk responses continue to operate effectively
5. *Report* risks by selecting, prioritizing and implementing appropriate actions

The Risk Management Unit (RMU) continued its role as the coordinator and centralised body to monitor the implementation of the ERM activities. Relevant reports were regularly tabled to the Authority for its review and advice. Awareness training on risk management was also conducted to enhance understanding of risks. During the year, RMU developed a set of policies to mitigate the associated risks covering the safety and health functions and Business Continuity Plan of the organisation. The policies were implemented upon obtaining approval from the Authority. It is expected that the management is committed to the implementation of the policies.

Guidelines on Whistle Blowing

The Guidelines on Whistle Blowing (GWB), which was implemented in October 2010 facilitate reports by staff, players and other related parties of wrong-doings or abuses, including concerns of unethical practices by Labuan FSA and its subsidiaries at an early stage. Its implementation reflects the Authority's philosophy to stand ready to identify and resolve problems or pre-empt a situation which may be detrimental to the organisation. The guidelines provide effective measures to protect any person who wishes to report any wrong doings without fear of reprisal, victimisation, harassment, subsequent discrimination or disadvantage. There was no report received by the management under the GWB in 2011.

Business Continuity Plan

The framework of the Business Continuity Plan (BCP) provides the necessary processes to ensure that Labuan FSA 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 its office premises. The objectives of the BCP include ensuring continuity of the critical services to the stakeholders, minimising financial loss and mitigating negative effects on the strategic plan, reputation and operations of Labuan FSA.

The identified scenario of adverse events under the BCP include the loss or denial of access to the base site (Labuan FSA's office) and/or incidents that require the switching of the Authority's key operations to one of its standby-sites. Actions to be taken by the Authority during the crisis are defined in four levels of emergency actions in accordance with the anticipated duration of disruptions to the operations and sources of the incidents.

In ensuring that the BCP continues to be effective and workable, the RMU had in July 2011 conducted a simulation exercise, deploying the standby-site in Kota Kinabalu as the recovery base. The simulation exercise, which saw the participation of the Emergency Management Team (EMT) and Emergency Response Team (ERT), was premised on the following objectives:

i) Importance of ensuring continuity of the critical business services in all situations;

ii) For the operational requirements to be made available during crisis and disaster situations;

iii) Adequate coverage of the EMT and ERT, and their authorities in managing/addressing a crisis or disaster situation;

iv) For the specified procedures and action plans to be followed during the business recovery process; and

v) Availability of the appropriate skills and competencies in the execution of the BCP.

During the exercise, the teams had the opportunity to test the efficiency and effectiveness of their operations based on the available infrastructures and facilities provided at the standby-site. Findings from the simulation exercise were used as a basis for continuous improvement and enhancement of the workflow to be incorporated in the BCP Manual.

TRANSPARENCY

Transparency is adopted by Labuan FSA as means of holding the organisation accountable to its mandated roles and objectives. The accountability of Labuan FSA is further strengthened through the effective and timely implementation of regulatory and supervisory processes that are transparent, enforceable and consistent with the relevant laws. The Authority ensures that Labuan FSA complies with the highest standards of principles and spirits of the Malaysian Code of Corporate Governance, and those in line with international standards and best practices on governance. In addressing the need for transparency, the corporate governance framework is complemented by a balanced disclosure in respect of a wide range and relevant information to its stakeholders. The disclosure of information and collaboration with the relevant stakeholders are important to avoid situations of conflict of interest that may compromise the transparency, accountability and the integrity of the organisation.

As a statutory body, Labuan FSA is subject to management and operational audit by the Auditor-General's Office (AG). Labuan FSA is required to submit its annual accounts to be audited by the AG before the accounts are tabled to Parliament. In this regard, the Authority provides a clear and meaningful assessment of the financial performance, supported by the Chairman's statement of the business conduct and activities, and the audited financial statements. Labuan FSA ensures that the records disclosed are reported with accuracy for a true and fair view of the financial position based on generally accepted accounting principles as well as the state of its business affairs. The professional relationship with the AG provides an avenue for greater transparency as the relevant reports which are certified by the AG are also published and made available to the public.

At the industry level, Labuan FSA maintains its consultative approach with the industry players on issues and developments affecting the business. Quarterly and half-yearly meetings were conducted with the associations and council members of the Labuan banks, Labuan investment banks, Labuan insurance and insurance-related companies, and Labuan trust companies during the year. Regular discussions not only facilitate greater understanding of the business conditions but also serve as an effective platform for greater collaboration and ensuring good rapport between Labuan FSA and the industry players.

Statement of Corporate Governance

Labuan FSA, in its efforts to instill greater corporate governance, has segregated the functions of supervisory and regulatory from the marketing and promotion of Labuan IBFC. The separation allows Labuan FSA to focus on its core function as a regulator in ensuring the stability and soundness of the financial institutions in Labuan IBFC while the promotional and marketing activities are undertaken by its subsidiary, Labuan IBFC Inc. Sdn Bhd. The Labuan IBFC Inc. Sdn Bhd is administered by a separate management team and Board of Directors hence maintaining separate accountabilities and independence.

As Labuan FSA is expected to make greater contributions to the advancement of the Malaysian financial system and economy against the backdrop of a more challenging global environment, its corporate governance will need to be relevant and effective for the IBFC to achieve its desired objectives. Therein, a strategic and integrated responses to the varying requirements of the business sector and its stakeholders will be most crucial.

Business Activities of Labuan IBFC

Landscape of Industry

Despite the challenging developments in Europe and the US financial markets, the Labuan financial sector continued to grow in 2011, as evidenced by the volume of business in Labuan IBFC. The banking sector's growth was dynamic, with good assets and strong earnings performance. Meanwhile, the insurance industry's growth remained resilient despite the more challenging environment arising from the natural catastrophes affecting the region.

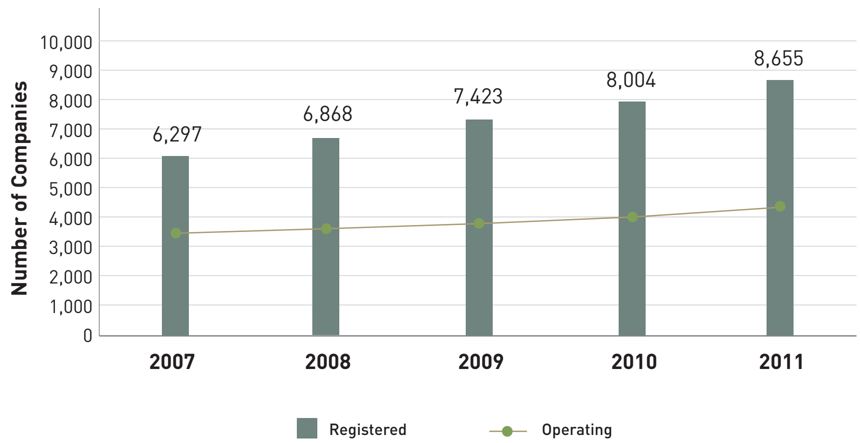
The registration of new companies grew steadily to cater to the demands of the international and local investors. Labuan Companies continued to focus on facilitating the needs of especially the oil and gas, aviation as well as mining and communication sectors or to carry on international trading commodity business. In addition, an increasing number of trust companies originating from Europe, Japan and the Middle East were established to manage and administer the investment needs of affluent investors in the wealth management sector, especially in the areas of trust, foundation and private fund.

Labuan Companies

The Labuan IBFC continued to register steady growth in 2011 with 651 new companies registered, an increase of 8.1% compared to the previous year. The increase reflects the favourable business environment augmented by Asia's growth potential against the weak global economic recovery. Apart from trading and non-trading activities, Labuan companies were also used by investors as a vehicle to raise funds and provide funding for projects in the ASEAN countries. The various Labuan company structures catering to the diverse needs of investors and the extensive Malaysian treaties network contributed in making Labuan an attractive international business centre and a platform for residents and non-residents to invest abroad.

Business Activities of Labuan IBFC

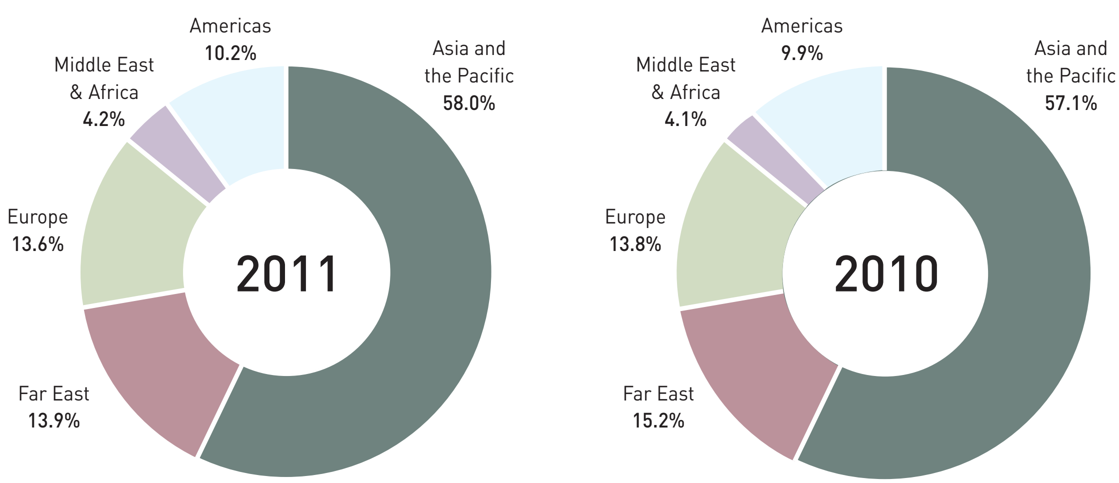
Chart 1: Labuan Companies - Number of Registered and Operating Companies



- Total companies grew by 8.1% to 8,655 companies.
- 72.0% originated from Asia-Pacific and Far East region.
- 437 companies were deregistered, an improvement of 6.2% from the previous year.

The companies registered in Labuan IBFC originated from more than 100 countries. In terms of representation by region, 58.0% (2010: 57.1%) of Labuan companies originated from the Asia and Pacific region, largely from Malaysia, Indonesia, Singapore, Australia and Thailand.

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



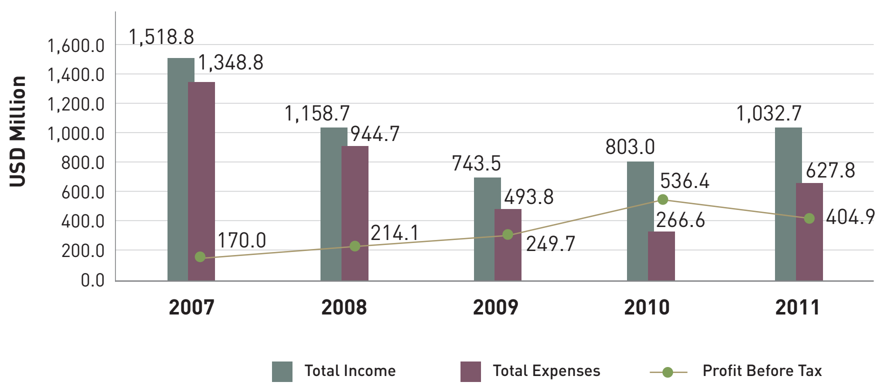
Business Activities of Labuan IBFC

Labuan Banks

The total number of Labuan banks in operation was 57 as at end 2011 (2010: 56), comprising 42 banks and 15 investment banks. During the year, approval was granted to two new banks, namely a commercial bank and an investment bank originating from Australia and Ghana, respectively. The new banks in Labuan were set-up to complement the financial group structure and diversify products offerings, in line with the increased customer base and leveraging on growth opportunities in the region.

Labuan banks continued to consolidate and restructure with a view to achieve cost efficiency and to benefit from improvements in their operational risk management and governance. In 2011, two banks surrendered their licences due to strategic decisions and merger exercise undertaken at the head office level. In addition, Labuan FSA withdrew an approval previously granted to an investment bank due to its inability to fulfil Labuan FSA's approval in principle.

Chart 3: Labuan Banks – Growth



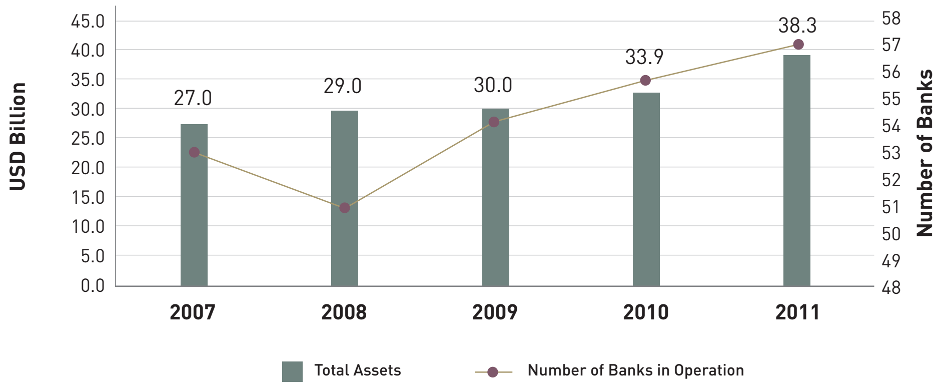
- Pre-tax profits stood at USD404.9 million.
- Return on assets remained positive at 1.1%.
- Asset quality remained strong.

The Labuan banking sector has not been adversely affected by the global financial turmoil, given their small direct exposures to these economies. The banking sector's asset base continued to grow as Labuan banks expand their business activities, particularly in providing loans and advances. Within the total of loans outstanding, the amount extended to non-residents continued to dominate the total market share, reflecting the strong interest from non-residents to obtain financing from Labuan banks. This is also in line with Labuan FSA aspirations to encourage the financial institutions to cater for international business out of the Labuan IBFC.

The asset quality of the Labuan banks remains strong as the banks concentrated their business exposure in the Asia region. As a result, the ratio of gross non-performing loans (NPL) of Labuan banks further improved to 1.5% in 2011 from 2.2% from the previous year due to higher reclassification of NPL to performing status and recoveries as well as improved risk management and prudent lending policies.

Business Activities of Labuan IBFC

Chart 4: Labuan Banks – Total Assets and Number of Banks in Operation



- Total assets increased by 13.0% to USD38.3 billion.
- Increase driven by demand in loans and advances of USD24.7 billion.
- Growing financing needs in the Asia Pacific economies in the region.

Due to loan-deposit mismatch, loans and advances were mainly sourced from head offices or interbank borrowings. Throughout the year, sources of funding from the head offices provided Labuan banks with consistent and sufficient liquidity to fund their day-to-day operations, meet deposit withdrawals and loan disbursements, and participate in new investments.

Table 1: Labuan Banks - Sources and Uses of Funds

	2009	2010	2011	2011	
	USD Million			change (%)	share (%)
Sources:					
Deposits	10,235.3	11,240.7	9,468.7	(15.8)	24.7
Amount due to financial Institutions/Interbank borrowing	17,017.5	19,521.6	25,138.9	28.8	65.6
Others	2,707.7	3,146.9	3,725.7	18.4	9.7
Total	**29,960.5**	**33,909.1**	**38,333.3**	**13.0**	**100.0**
Uses:					
Cash and Short-term Funds	1,666.3	2,217.4	1,781.6	(19.7)	4.6
Balances due from Head Office and Branches Outside Malaysia	5,456.2	7,145.2	7,816.6	9.4	20.4
Investments	1,643.1	2,435.2	3,002.0	23.3	7.8
Loans and Advances	18,462.3	19,914.4	24,686.8	24.0	64.4
Fixed Assets	6.9	7.0	6.2	(11.2)	0.0
Others	2,725.7	2,189.8	1,040.0	(52.5)	2.7
Total	**29,960.5**	**33,909.1**	**38,333.3**	**13.0**	**100.0**

- Loans and advances were mainly funded from head offices or interbank borrowings which accounted for 65.6% or USD25.1 billion.

A sectoral analysis of bank lending in 2011 showed that the banks were lending to residents and non-residents for domestic financing requirements as well as for financing abroad. A significant portion of the loans were granted to the mining and quarrying sector which includes the oil and gas activities. The increase in lending to the oil and gas sector complemented the growth in the oil and gas business activities that are flourishing in the region. With regard to off-balance-sheet transactions such as commitments, guarantees and derivatives, total transactions grew by 9.0% to USD 16.9 billion as at end 2011 (2010: USD15.5 billion).

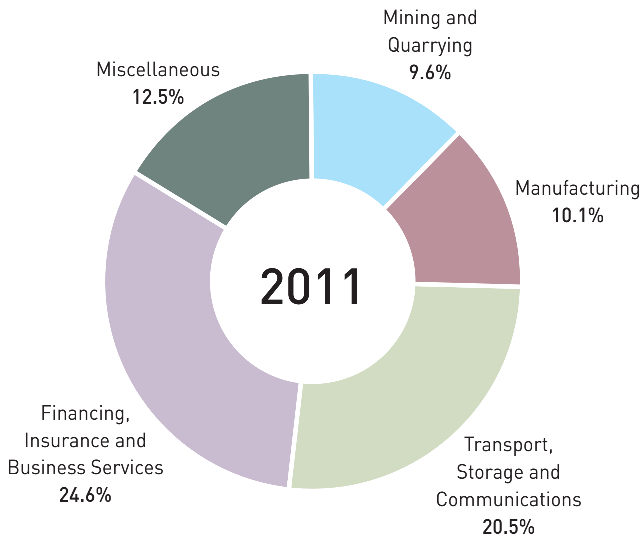
Table 2: Labuan Banks - Direction of Lending by Sectors

Loans by Sectors	2009	2010	2011	2011	
	USD Million			change (%)	share (%)
Agriculture, Hunting, Forestry and Fishing	689.6	951.0	1,670.0	75.6	6.8
Mining and Quarrying	425.6	458.4	2,379.7	419.2	9.6
Manufacturing	2,095.6	1,971.1	2,484.9	26.1	10.1
Electricity, Gas and Water	1,397.4	2,711.5	1,665.5	(38.6)	6.7
Property of which:					
Real Estate	291.4	321.3	1,016.5	216.4	4.1
Construction	542.6	476.3	642.6	34.9	2.6
Housing	183.6	178.5	134.9	(24.4)	0.5
Wholesale and Retail Trade and Restaurants and Hotels	148.6	205.0	363.0	77.1	1.5
Transport, Storage and Communications	3,752.3	3,946.9	5,055.2	28.1	20.5
Financing, Insurance and Business Services	5,690.1	5,681.1	6,073.2	6.9	24.6
Other Services	22.5	85.9	113.8	32.5	0.5
Miscellaneous	3,223.0	2,927.4	3,087.4	5.5	12.5
Total	**18,462.3**	**19,914.4**	**24,686.7**	**24.0**	**100.0**

- Substantial increase of 419.2% in loans granted to the mining and quarrying sector due to growing demand in the financing of the oil and gas sector.
- Financing, insurance and business services as well as transport, storage and communications continued to be the major sectors to be funded by the Labuan banks.

Business Activities of Labuan IBFC

Chart 5: Labuan Banks – Direction of Lending by Five Major Sectors



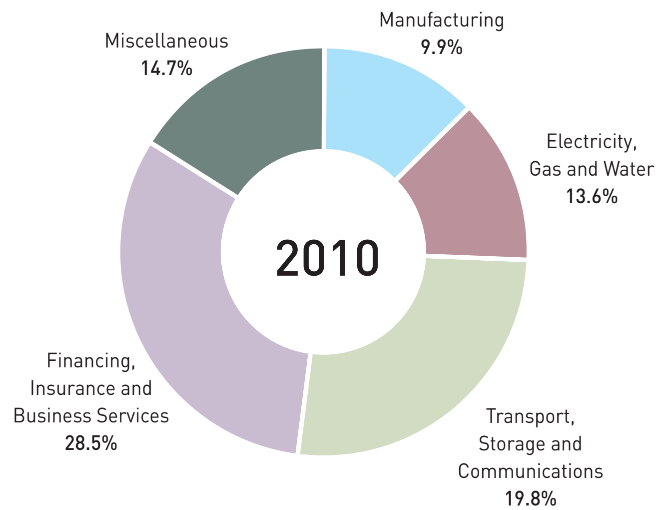


Table 3: Labuan Banks - Deposits and Loans Outstanding of Non-Bank Customers

	2009	2010	2011	2011
	USD Million			change (%)
Total Deposits	**10,235.3**	**11,240.7**	**9,468.7**	**(15.8)**
Residents	4,644.5	4,614.4	2,932.2	(36.5)
% share	*45.4*	*41.1*	*31.0*	
Non-Residents	5,590.9	6,626.3	6,536.6	(1.4)
% share	*54.6*	*58.9*	*69.0*	
Total Loans Outstanding	**18,462.3**	**19,914.4**	**24,686.8**	**24.0**
Residents	6,806.4	5,883.3	8,938.7	51.9
% share	*36.9*	*29.5*	*36.2*	
Non-Residents	11,655.9	14,031.1	15,748.1	12.2
% share	*63.1*	*70.5*	*63.8*	

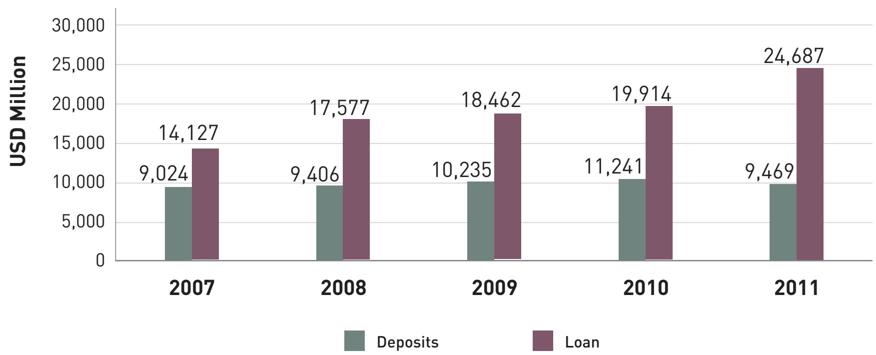
Total deposits

- Total deposits decreased to USD9.5 billion in 2011 due to maturity of key investment accounts.
- Non-resident depositors registered a higher market share of 69.0%, indicating the improved awareness of international investors on the products and services offered by Labuan banks.

Total loans

- Total loans increased by 24.0%.
- Non-resident business dominated the loan market share.
- Asset quality remained strong.
- Gross non-performing loan remained low at 1.5% due to continued improvement in risk management and prudent lending.

Chart 6: Labuan Banks – Deposits and Loans Outstanding



In terms of employment, the total number of staff in the banking sector declined marginally by 9.5% to 487 during the year under review (2010: 538) due to the centralisation of activities within the banking group.

Labuan Insurance

Despite the global economic crisis and major catastrophic events in the region, the Labuan insurance and insurance-related industry remained resilient with continued expansion in the number of new licences as well as premiums written out of Labuan. As at end 2011, 22 new licences for insurance and insurance-related companies were granted, bringing the number of approved entities to 181 (2010: 169). However, due to the restructuring of overall group business, a total of ten insurance and insurance-related companies had surrendered their licences. The year 2011 also witnessed the completion of the relocation of holding companies of two foreign reinsurers to Labuan.

Table 4: Labuan Insurance - Number and Type of Insurance and Insurance-Related Licences

Type of Licence	2009	2010	2011
Life	2	2	3
General	6	7	9
Composite	2	2	2
Reinsurance	31	34	38
Captive	34	34	34
Insurance Manager	6	6	6
Underwriting Manager	10	17	19
Broker	58	67	70
Total	**149**	**169**	**181**

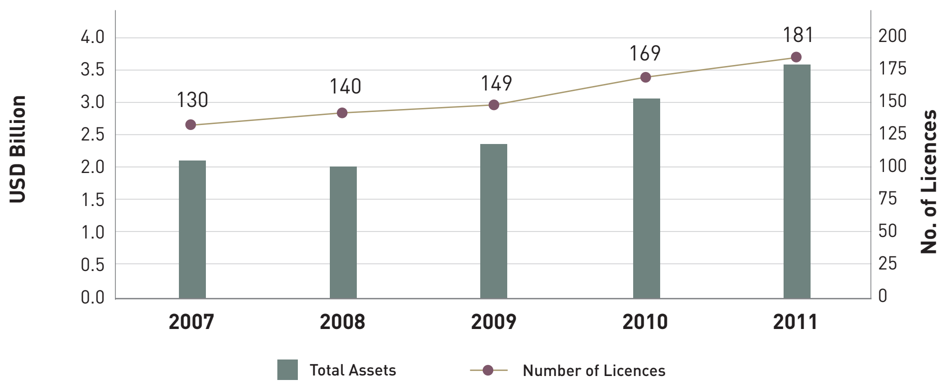
The geographical appeal of Labuan as an insurance domicile continued to widen with insurance and insurance-related licensees originating from countries in the Asia Pacific region, Europe, Middle East, Africa and the Americas and Caribbean. The additional reinsurance capacity provided by the new players coupled with the expansion of players from an increasing number of jurisdictions bode well for Labuan IBFC in becoming the centre for financial inter-linkages in meeting the reinsurance demand from China, India and other emerging markets, and to certain extent the domestic market. Labuan's advantages in terms of low operational start-up costs, multiple delivery channels, stable political regime and the availability of human capital continue to be the main motivation for having a presence in Labuan.

Table 5: Labuan Insurance - Total Capitalisation

Held By	2009		2010		2011	
	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)
Malaysian	192,210	29.0	335,290	54.8	181,570	29.0
Others	471,604	71.0	276,577	45.2	443,754	71.0
Total	**663,814**	**100.0**	**611,867**	**100.0**	**625,324**	**100.0**

- Total industry's capitalisation was USD625.3 million (2010: USD611.9 million) with total foreign shareholdings at 71.0% (2010: 45.2%).

Chart 7: Labuan Insurance – Total Assets and Number of Insurance and Insurance-Related Licences



- Total assets increased by 18.8% to USD3.6 billion (2010: USD3.1 billion).
- Rising volume of gross premiums being underwritten by an increasing number of Labuan reinsurers.

Business Activities of Labuan IBFC

Table 6: Labuan Insurance - Total Assets

Assets	2009		2010		2011	
	USD'000	share (%)	USD'000	share (%)	USD'000	share (%)
Fixed Assets	13,841	0.6	18,062	0.6	36,605	1.0
Due from Ceding/ Related Companies	360,577	14.8	596,502	19.4	584,890	16.0
Fixed Deposits/ Money Market	1,157,900	47.5	1,152,947	37.5	1,186,933	32.5
Cash and Bank Balances	240,919	9.9	315,115	10.3	377,294	10.3
Investments	217,042	8.9	236,430	7.7	578,592	15.9
Others	446,201	18.3	752,921	24.5	885,628	24.3
Total	**2,436,480**	**100.0**	**3,071,977**	**100.0**	**3,649,941**	**100.0**

- Fixed deposits and money market instruments as a proportion of total assets was 32.5% or USD1.2 billion.
- Composition of assets allocations for the industry reflected the heightened risk aversion among Labuan insurers as uncertainties dominated the world market during 2011.

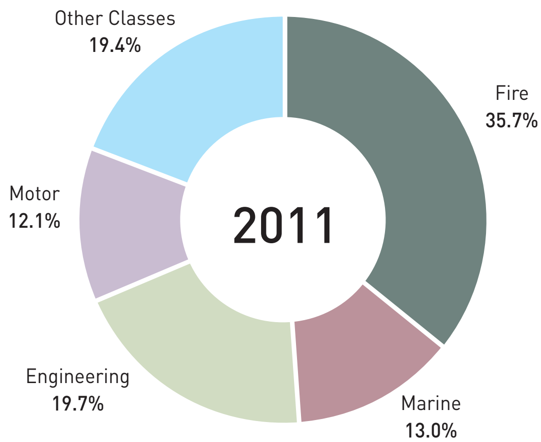
Table 7: Labuan Insurance - Distribution of Gross Premiums

Year	Total		Fire	Marine	Engineering	Motor	Other Classes	Total
	Malaysian	Others	USD'000					
2009	434,686	683,142	560,793	147,645	181,116	36,587	191,686	**1,117,827**
2010	567,332	637,418	513,190	145,773	235,628	95,916	214,243	**1,204,750**
2011	829,381	744,499	561,902	204,623	310,398	190,954	306,004	**1,573,880**
	change (%)							
2009	(1.7)	16.8	27.4	4.9	5.5	(48.3)	(6.1)	**8.8**
2010	30.5	(6.7)	(8.5)	(1.3)	30.1	162.2	11.8	**7.8**
2011	46.2	16.8	9.5	40.4	31.7	99.1	42.8	**30.6**
	share (%)							
2009	38.9	61.1	50.2	13.2	16.2	3.3	17.1	**100.0**
2010	47.1	52.9	42.6	12.1	19.6	8.0	17.8	**100.0**
2011	52.7	47.3	35.7	13.0	19.7	12.1	19.4	**100.0**

- Total gross premiums increased by 30.6% to USD1.6 billion (2010: USD1.2 billion).
- Malaysian business contributed 52.7% of the Labuan insurance business.
- The motor sector continued to record a significant growth of 99.1% (2010: 162.2%). The impressive growth was mainly due to the mandatory requirements by the onshore regime for insurance motor coverage in which Labuan players provided the necessary reinsurance programme.
- The largest class of insurance business was the fire sector with a share of 35.7% (2010: 42.6%).

Business Activities of Labuan IBFC

Chart 8: Labuan Insurance – Distribution of Gross Premiums



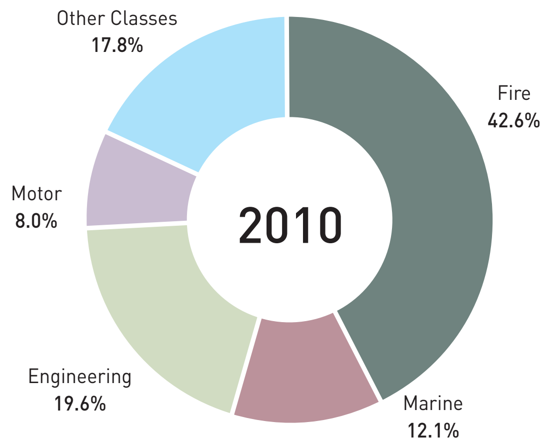


Table 8: Labuan Insurance - Net Retention Ratio (%)

Year	Malaysian	Others	Fire	Marine	Engineering	Motor	Other Classes	Total
2009	66.6	73.5	71.0	74.2	46.0	130.7	79.9	**70.9**
2010	68.1	77.9	79.8	69.8	50.3	97.5	74.6	**73.3**
2011	67.4	75.8	75.3	80.4	41.5	98.8	71.4	**71.4**

- The overall net retention (net premium over gross premium) for the industry was slightly lower at 71.4% (2010: 73.3%), mainly due to the declining retention in the fire and engineering sectors.
- Comparatively, the overall net retention ratio for Labuan is at par with other jurisdictions in the region.
- The motor sector maintained its lead with the highest retention at 98.8% (2010: 97.5%), followed by marine at 80.4% (2010: 69.8%) and fire at 75.3% (2010: 79.8%).

Table 9: 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 (%)
2009	742,921	409,086	55.1	196,126	26.4	36,785	5.0	100,924	13.6
2010	767,307	392,332	51.1	183,939	24.0	37,587	4.9	153,449	20.0
2011	1,113,315	756,863	68.0	286,253	25.7	43,563	3.9	26,636	2.4

- Total earned premium income increased substantially by 45.1%, reaching USD1.1 billion (2010: USD0.8 billion).
- The ratio of net claims incurred to earned premium income (gross premiums less cessions and reserves for unexpired risks) rose from 51.1% in 2010 to 68.0% in 2011 while there was a corresponding increase in the commission ratio, up by 25.7% (2010: 24.0%). These resulted in a substantial decrease in the underwriting margin to USD26.6 million (2010: USD153.5 million).
- The increase in net claims incurred ratio and decrease in underwriting margin were due to the unexpected claims from natural catastrophes during the year.

Business Activities of Labuan IBFC

Table 10: Labuan Insurance - Statistics on Investment-Linked Policies

Year		New Policies			Policies In Force		
		Malaysian	Others	Total	Malaysian	Others	Total
2009	**No. of Policies**	160	6	166	733	52	785
		USD'000					
	Sum Insured	4,285	578	4,863	17,140	864	18,004
	Single Premiums	2,409	561	2,970	16,285	879	17,164
2010	**No. of Policies**	174	12	186	870	58	928
		USD'000					
	Sum Insured	3,371	654	4,025	18,385	1,107	19,492
	Single Premiums	1,730	450	2,180	16,848	991	17,839
2011	**No. of Policies**	157	15	172	992	72	1,064
		USD'000					
	Sum Insured	4,205	400	4,605	17,384	1,316	18,700
	Single Premiums	4,068	434	4,502	17,338	1,470	18,808

- The year 2011 showed a slight reduction in investment-linked insurance product with 172 new policies issued during the year (2010: 186). In terms of value, USD4.5 million worth of premiums were written compared to USD2.2 million in 2010.
- The increase in premiums written for investment-linked policies was mainly due to strong demand from high-net worth Malaysians who wish to diversify further their investment portfolio via the international market. This clearly reflects Labuan IBFC's increasing importance as a regional investment platform particularly to affluent domestic investors.

Table 11: Labuan Insurance - Distribution of Gross Premiums for Captive Business

Year	Malaysian	Others	Fire	Marine	Engineering	Motors	Other Classes	Total
	USD'000							
2009	125,165	50,627	18,565	15,016	107,620	–	34,590	**175,791**
2010	177,403	54,437	15,112	21,198	152,112	–	43,418	**231,840**
2011	281,491	30,673	21,562	19,652	196,514	487.9	73,949	**312,164**
	change (%)							
2009	(0.3)	(17.5)	(40.1)	(30.8)	6.5	–	4.4	**(5.9)**
2010	41.7	7.5	(18.6)	41.2	41.3	–	25.5	**31.9**
2011	58.7	(43.7)	42.7	(7.3)	29.2	–	70.3	**34.6**
	share (%)							
2009	71.2	28.8	10.6	8.5	61.2	–	19.7	**100.0**
2010	76.5	23.5	6.5	9.1	65.6	–	18.7	**100.0**
2011	90.2	9.8	6.9	6.3	63.0	0.2	23.7	**100.0**

- As at end of 2011, four new captives were approved while another four surrendered their licences, thus maintaining the total number of captives at 34 (2010: 34).
- Labuan-domiciled captive insurance companies wrote USD312.2 million in total gross premiums in 2011, an increase of 34.6% over USD231.8 million in 2010. The increase was primarily attributed to the risks underwritten in the oil and gas, and aviation sector.

Business Activities of Labuan IBFC

Table 12: Labuan Insurance - Premiums Placement by Insurance Brokers

	2009	2010	2011	2011	
General Business	**USD'000**			**change (%)**	**share (%)**
Labuan	77,194	83,436	131,114	57.1	18.2
Malaysia	144,721	221,306	270,652	22.3	37.5
Others	156,059	218,168	320,211	46.8	44.4
Sub Total	**377,974**	**522,909**	**721,977**	**38.1**	**84.6**
Life Business	**USD'000**			**change (%)**	**share (%)**
Labuan	–	795	1,403	76.5	1.1
Malaysia	–	–	–	–	
Others	65,625	111,533	129,904	16.5	98.9
Sub Total	**65,625**	**112,328**	**131,307**	**16.9**	**15.4**
Grand Total	**443,599**	**635,237**	**853,285**	**34.3**	**100.0**

- The total premiums processed by the insurance broking sector increased by 34.3% to USD853.3 million in 2011 (2010: USD635.2 million).
- Out of the total, 84.6% (2010: 82.3%) was derived from the general insurance business. The general insurance premiums transacted by Labuan insurance brokers were for reinsurance cessions placed with Malaysian insurers (37.5%), overseas insurers (44.4%) and Labuan insurers (18.2%).
- For the life insurance business, 98.9% or USD129.9 million (2010: USD111.5 million) was derived from direct business placed with overseas insurers. The 16.9% growth in life insurance premium was due to the expansion of life insurance broking business activities in Labuan IBFC.

Table 13: Labuan Insurance - Brokerage Fee Earned by Insurance Brokers

	2009	2010	2011	2011	
General Business	**USD'000**			**change (%)**	**share (%)**
Labuan	4,050	3,885	5,696	46.6	8.3
Malaysia	7,702	8,279	11,902	43.8	17.4
Others	10,788	21,474	50,870	136.9	74.3
Sub Total	**22,540**	**33,639**	**68,468**	**103.5**	**84.5**
Life Business	**USD'000**			**change (%)**	**share (%)**
Labuan	–	22	146	559.5	1.2
Malaysia	–	–	–	–	–
Others	6,285	10,284	12,393	20.5	98.8
Sub Total	**6,285**	**10,306**	**12,540**	**21.7**	**15.5**
Grand Total	**28,825**	**43,944**	**81,008**	**84.3**	**100.0**

- The total amount of brokerage fees earned by the Labuan insurance broking sector grew by 84.3% to USD81.0 million (2010: USD43.9 million), in tandem with higher amount of premiums processed.
- The brokerage fee earned from the general insurance business comprised 84.5% of the total brokerage income, consistent with the higher proportion of general insurance premiums processed during the year.

The total number of employees in the insurance industry increased by 15.6% to 778 (2010: 673) which includes underwriters, actuaries, professional financial advisors and risk solution specialists to cater for the international insurance market.

Labuan Trust Companies

The number of trust companies continued to grow in 2011, reaching 31 (2010: 24) with seven new trust companies approved to operate in Labuan at the end of 2011. The trust companies mainly render corporate secretarial services and administrative work for Labuan companies, trusteeship for bond issuances, funds and trust products, administration services for mutual funds and business process outsourcing services to their global operations. With improvement and expansion in the business performance of trust companies, the number of employees in the trust companies had also increased by 28.7% to 422 (2010: 328).

The trust companies also handle the work permit applications for expatriates working in Labuan companies. On 6 July 2011, Labuan FSA issued the Guidelines on Work Permit Application in Labuan IBFC to liberalize the requirement for the applications of work permit for expatriates working in Labuan companies. With the issuance of the guidelines, applicants are now allowed to use the address of their appointed trust company in Labuan as their workplace address when applying for the permit. However, the trust company is required to provide a letter of recommendation supporting the application and confirming that strict due diligence on the applicant has been conducted prior to submitting the application to Labuan FSA.

Table 14: Labuan Trust Companies - Key Data

	2007	2008	2009	2010	2011	Annual change
Number of Trust Companies	21	23	22	24	31	
	USD'000					(%)
Operating Income	15,240	14,670	13,021	15,367	18,627	21.2
Profit Before Tax	6,560	6,770	5,236	3,966	4,760	20.0

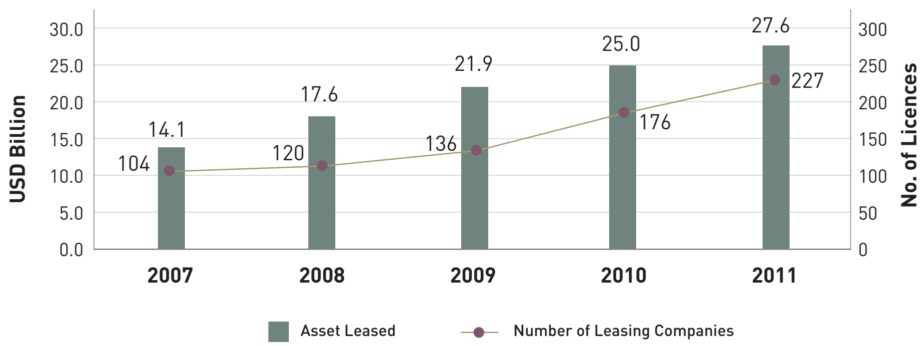
- The number of trust companies increased to 31 as at end December 2011.
- Seven new Labuan trust companies originating from Europe, Japan and Middle East were established with the objectives to manage and administer the investment needs of affluent investors in the wealth management sector particularly in the areas of trust, foundation and private fund.
- Expanded global network creating wider financial international linkages in meeting the business demands from high growth regions of China, India, the emerging markets and to a certain extent the domestic market.
- The trust companies reported an improved aggregate operating income of USD18.6 million, an increase by 21.2% from USD15.4 million in the previous year.

Labuan Leasing

In 2011, leasing continued to be the highest growth sector in Labuan IBFC in terms of new approvals granted. The number of leasing companies increased by 29.0% to 227 companies (2010: 176) with 59 new companies established during the year. Notwithstanding this, seven leasing companies ceased their operations due to the completion of it leasing transactions/contracts, while one approval was deemed null and void due to the applicant's inability to fulfil the pre-conditions of approval.

Business Activities of Labuan IBFC

Chart 9: Labuan Leasing – Growth

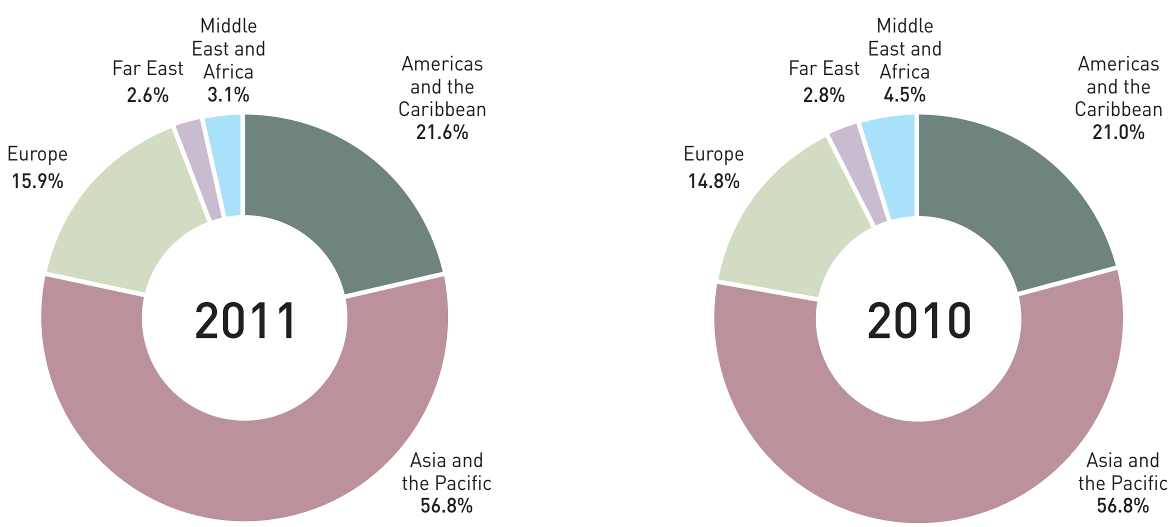


- Increase of 29.0% or 59 new leasing approvals bringing total to 227 companies.
- The Labuan leasing businesses mainly involve transactions in the oil and gas and aviation sectors.

In terms of geographical distribution, 56.8% of leasing companies in Labuan originated from the Asia Pacific region, followed by the Americas and Caribbean at 21.6%.

The cumulative amount of assets leased registered a growth of 10.4 % to USD27.6 billion (2010: USD25.0 billion). In October 2011, Labuan FSA launched the Global Incentives for Trading (GIFT) Programme in collaboration with the Malaysia Petroleum Resources Corporation. The GIFT programme is aimed at positioning Malaysia as a regional trading and storage hub for oil and gas. The establishment of GIFT, augurs well with the overall development of the oil and gas market and leasing of ships in the IBFC.

Chart 10: Labuan Leasing – Breakdown of Origin by Region



Other Financial Business Activities

Labuan Capital Markets

Seven notifications were submitted to Labuan FSA for the establishment of private funds in 2011 (2010: 5). As at end 2011, there were 45 registered private funds after three private funds ceased their operations and one fund was revoked. The number of public funds remained at two.

The total number of fund management companies declined to 11 (2010: 17) as at end 2011. This was due to the revocation of five fund management licences while one approval was deemed as null and void due to the applicant's inability to fulfil the requirements for approval. The revocation of the fund management licence is part of Labuan FSA's efforts to tighten the regulatory regime pertaining to the fund management business in Labuan.

Labuan Debt Issuances

With regard to debt issuances, investors continued to use Labuan as a capital raising platform and the Labuan International Financial Exchange (LFX) for the listing of debt instruments. In 2011, six new instruments listed on the LFX included the following:

- Guaranteed and Secured Accreting Notes [Class A Notes] – Due 2026, USD0.30 billion by Equisar International Incorporated;
- Guaranteed and Secured Amortising Notes [Class B1 Notes] – Due 2026, USD0.35 billion by Equisar International Incorporated;
- Guaranteed and Secured Amortising Notes [Class B2 Notes] – Due 2026, USD0.15 billion by Equisar International Incorporated;
- Trust Certificates [Series 1] – Due 2016, USD1.20 billion by Wakala Global Sukuk Berhad;
- Trust Certificates [Series 2] – Due 2021, USD0.80 billion by Wakala Global Sukuk Berhad; and
- China Remnimbi-Denominated Trust Certificates – Due 2014, CNY0.5 billion by Danga Capital Berhad.

On the other hand, four existing instruments were delisted upon reaching maturity and thus, bringing the total number of listed instruments to 30 in 2011 (2010: 28). The market capitalisation of LFX as at end 2011 was USD19.0 billion (2010: USD19.2 billion).

Labuan International Trading Commodity Company

Under the GIFT programme, a set of incentives were offered through the establishment of the Labuan International Trading Commodity Company (LITC) including incentives for traders and trading houses to use Malaysia as their international trading base.

During the launch of the programme, trading licences were given to five trading companies of renowned conglomerates in the oil and gas sector to carry on petroleum and petroleum-related trading business. This programme not only diversifies further the products and services offered by Labuan IBFC in tandem with the recommendations set forth in the Financial Sector Blueprint, but also provides further impetus for Labuan in enhancing regional integration by providing an effective and efficient platform for international business and financial transactions.

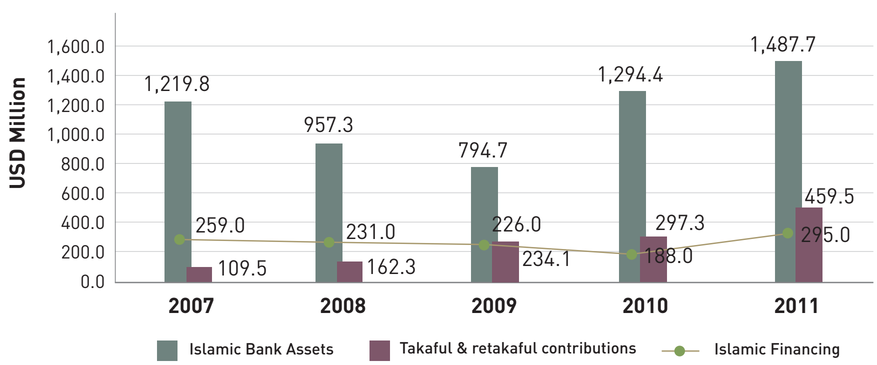
Labuan Foundation

Since the introduction of the Labuan Foundations Act 2010, 35 new Labuan foundations were registered in 2011 bringing the total to 40 registrations (2010: 5). The introduction of the Labuan Foundations Act 2010 has enhanced Labuan IBFC's attractiveness for high net worth individuals, corporations or families to set-up foundations.

Labuan Islamic Financial Services

Marginal growth was recorded in both the Islamic capital market and Islamic banking sector while the retakaful sector continued its path of strong growth during the year. Notwithstanding this, Labuan FSA continued to provide emphasis to strengthen the resilience of the financial sector as well as to boost its competitiveness and growth. This included closer collaboration with standard setting bodies and regulatory authorities in various jurisdictions to benchmark and implement global best practices. Continuous reviews of the regulatory framework and business incentives have been undertaken to ensure the industry remains competitive in meeting market demands whilst ensuring market practices are at par with international standards. Labuan FSA also continued to spearhead efforts to attract new entrants into the Islamic finance industry.

Chart 11: Labuan Islamic Banks and Labuan Takaful and Retakaful – Performance



Islamic Banking

As at end 2011, the Labuan Islamic banking industry was represented by three Islamic banks, three Islamic investment banks and nine Islamic windows of conventional banks.

The total Islamic assets in Labuan IBFC continued to grow in 2011, increasing by 14.6% to reach USD1.49 billion (2010: USD1.3 billion). This growth translates into a market share of 3.85% against the total banking industry (2010: 3.82%).

Total financing in the Islamic banking sector increased significantly during 2011, reaching USD294.6 million (2010: USD187.9 million) as at 2011. Non-residents being the primary borrowers accounted for most of the total Islamic financing which amounted to USD250.6 million. Total deposits declined by 55.4%, down from USD402.9 million to USD179.6 million as at end 2011 due to withdrawal of placement by key resident account holders.

Labuan Takaful and Retakaful

As at 31 December 2011, there were five full-fledged takaful and retakaful companies and twelve reinsurance companies with retakaful windows conducting business in Labuan IBFC. This includes operators from the Asia Pacific, Middle East and Europe. The positive growth registered in 2010 continued into 2011. Gross contributions grew by 54.6% to USD459.5 million in 2011 (2010: USD297.3 million) with non-resident business remained as the major contributor at 69.8% (2010: 81.8%). The growth in 2011 was mainly attributed to the transfer of retakaful business to Labuan from an established retakaful operator from the MENA region.

Labuan Islamic Capital Markets

The Islamic capital market in Labuan IBFC has steadily attracted the interest of international issuers. As at end 2011, they were 11 Islamic capital market instruments listed on the LFX (2010: 9). The market capitalisation of Islamic instruments on the exchange stood at USD8.6 billion at end 2011 (2010: USD7.3 billion). As a proportion of total market capitalisation on LFX, the Islamic portion rose from 38.0% in 2010 to 45.4% in 2011.

One new Islamic private fund, with a fund size of USD100.0 million, was established during the year under review, bringing the total number to 18. The market share of Islamic private funds against total private funds registered in Labuan was 27.1% (2010: 31.8%). In general, Islamic private funds in Labuan are invested in Shariah compliant real estates and properties within the region as well as in the Middle East.

Labuan Islamic Foundation

With increasing awareness of the features and benefits of Islamic foundations, four Islamic foundations (2010: 1) were registered under the Labuan Islamic Financial Services and Securities Act 2010.

Supervision and Regulation of Labuan Financial Institutions

Supervisory and Regulatory Outlook

Active market surveillance and supervisory engagements including on-site examinations and regular interactions with the senior management and auditors of financial institutions continued to be the primary activities of Labuan FSA throughout 2011. Such engagements facilitated the assessment of the standards and practices of corporate governance, risk management, internal controls as well as performance and growth strategy of financial institutions in Labuan. Labuan FSA continued to adopt a risk based supervisory approach, where greater supervisory attention was given to key risk areas that pose significant threat to the soundness of the financial institutions. Focus was also placed in monitoring the global financial crisis impact to the financial institutions in Labuan.

In 2011, Labuan FSA completed 56 supervisory engagements on Labuan financial institutions covering banks, insurance companies, trust companies and fund managers. During the year, Labuan FSA also performed a number of investigations on Labuan companies arising from public complaints and inquiries from the domestic authorities on matters relating to market conduct and possible breaches of Labuan laws and regulations. These included cases of suspected fraud, unauthorized conduct of financial business activities and disclosure of false or misleading information.

Through its supervisory activities, Labuan FSA observed that the European debt crisis had no material impact on the financial institutions in Labuan while natural disasters in the Asia Pacific region had affected a number of Labuan insurance companies.

Moving forward and in tandem with the growth of activities in the financial system in Labuan IBFC, Labuan FSA is enhancing its prudential regulation and supervisory framework, as well as fits financial databases for industry-wide monitoring and market surveillance. A robust home and host supervisory framework entailing greater engagements with home supervisory authorities will also be implemented.

The Banking Sector

In 2011, the banking sector in Labuan IBFC remained strong with good quality assets, ample liquidity and well capitalised. Overall, sound risk management practices and good corporate governance policies were adopted by banks in Labuan except for a few investment banks. In this regard, heightened supervisory oversight and close monitoring either through on-site examinations or supervisory meetings were conducted on the institutions to communicate Labuan FSA's concerns over their level of corporate governance and risk management practices.

Although the industry's return on assets ratio had reduced to 1.1% in 2011 (2010: 1.6%) arising from lower profit recorded in 2011, the Labuan banking sector remained well capitalised with risk-weighted capital ratio and core capital ratio of 22.1% and 23.0% respectively. The industry's gross and net non-performing loan ratios remained low at 1.5% and 0.4% respectively, while gross non-performing loan ratio based on a 3-month classification at 1.6%. The implementation of Basel II framework by most of the international banks operating in Labuan had further strengthened the banking sector's standards in risk management, corporate governance, capital management and transparency.

The direct exposure of the Labuan banking industry to the sovereign debt crisis in the euro zone and natural catastrophic disaster in Asia Pacific region was negligible. The overall debt exposure to the European countries stood at 5.0% of total Labuan banking assets, of which, less than 0.5% were exposed to the affected countries such as Greece, Portugal, Ireland, Italy and Spain. Labuan banking debt exposure to the countries affected by the natural catastrophic disasters such as New Zealand, Thailand and Australia was also less than 5.0% of the total banking assets.

To further enhance co-operation with other regulators, Labuan FSA had participated in various supervisory college meetings organised by Bank Negara Malaysia on domestic financial institutions that have cross border operations. Such engagements provide the regulators with a platform to exchange supervisory practices and concerns, and opportunity for future collaboration.

The Insurance Sector

The insurance sector in Labuan remained resilient and recorded positive growth amidst challenging market conditions and high natural catastrophe losses in 2011.

The supervisory assessment of the insurance sector for the year 2011 revealed that most of the Labuan insurance companies continued to adopt good corporate governance practices and had established effective Enterprise Risk Management processes in managing their business. Assurance was further provided by the internal auditors of Labuan insurance companies with regards to the adequacy of internal controls and the companies' compliance with internal policies, guidelines and regulatory requirements.

While the insurance sector was spared from the contagion risks stemming largely from the debt crisis in Europe, a few of the insurance companies were affected by the natural catastrophic disasters in New Zealand, Australia and Thailand and had reported pre-tax losses for the year 2011. Nevertheless, on the whole, the Labuan insurance companies remained sound and were able to maintain a strong aggregate solvency surplus of USD909.7 million and a margin of solvency five times above the minimum regulatory requirement with a registered pre-tax profit of USD111.8 million. The financial strength rating (FSR) of major insurance companies in Labuan and their respective head offices remained unchanged.

Trust Company and Capital Market Intermediaries

The operations and activities of trust companies and fund managers were continuously monitored through several channels including off-site reviews, on-site examinations and engagements with the management and auditors.

Through its supervisory activities, Labuan FSA observed that collectively the trust companies continued to report strong growth in business activities and revenue. Improvements were noted in the governance and risk management practices in which Labuan FSA had raised its related concerns in previous years. This profile of the trust companies is expected to improve more so as a result of the directive on audit for trust companies in 2011. The other main areas which have been identified for improvement during the year included the board and management oversight, risk management and control functions.

In view of the limited activities of the fund managers in Labuan, supervisory activities were focused on monitoring the rectification measures undertaken by the fund managers in improving the gaps identified by Labuan FSA in their governance and control functions. For the year under review, improvements were noted in the board and management oversight, establishment of policies and procedures and enhancement in compliance and risk management functions.

The protracted European debt crisis had no material impact on the business of trust companies and fund managers in Labuan as their client base and assets exposures were mainly from countries in the Asia Pacific region.

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

The legal and regulatory framework established for the Labuan IBFC has been effective in combating the Money Laundering/Financing Terrorism (ML/FT) threats and as such, the financial institutions in Labuan are well protected from the money laundering and financing of terrorisms elements. Although there were no cases reported in relation to ML/FT in 2011, Labuan FSA continued to exercise vigilance on the potential ML/FT threats that could undermine the confidence on the Labuan IBFC.

In 2011, as part of the overall anti-money laundering initiatives at the national level, regular meetings were held with various Law Enforcement Agencies (LEAs), especially the Royal Malaysian Police and Bank Negara Malaysia (BNM) on matters relating to suspicious transaction reports (STR), investigation and sharing of information. Labuan FSA continued to demonstrate its firm commitment to the agenda of the National Coordination Committee (NCC) to Counter Money Laundering's National Strategic Plan for AML 2010-2013, particularly in respect of the effective implementation of the national AML/CFT preventive measures. At the international level, Labuan FSA had participated in the regional ML/FT engagements conducted by the Asia Pacific Group on Money Laundering (APG) in Busan, South Korea and annual APG conference in India.

As part of its capacity building programme, Labuan FSA had jointly hosted the Certified Financial Investigator Program (CFIP) with BNM and the Inland Revenue Board. A total of 38 enforcement officers from various LEAs had participated in the programme. The CFIP aims to create a pool of qualified financial investigators with the necessary knowledge and skills to successfully fulfil their tasks and duties in curbing financial crimes.

Regulatory Developments

As part of the continuous efforts to enhance the regulatory framework of Labuan IBFC and ensure that all Labuan entities are operating in accordance with international standards and best practices, Labuan FSA also introduced a number of new policies especially for the Labuan Trust Companies (LTCs). Among them is the introduction of the new directive on Internal Audit Requirement for LTCs. The directive was issued to the LTCs on 20 April 2011 to clarify and further reinforce the requirements for internal audit stipulated under the Guidelines for a Trust Company issued on 25 January 2005. The directive provides the minimum audit scope of a trust company which includes all the necessary measures to ensure an effective system of internal control and risk management measures. Under the directive, LTCs that have yet to conduct an internal audit must do so latest by 30 June 2012. This initiative is expected to further enhance the safeguard measures for the investors in Labuan IBFC.

Additionally, a Circular on Professional Indemnity Insurance (PII) was issued on 7 July 2011 to strengthen the prudential requirements for the operation of LTCs. The PII forms an integral part of the regulatory requirements to safeguard the operations of the LTCs and is designed to insulate LTCs from any claims made by clients in the course of providing professional advice and services. With the issuance of the circular, all new applicants for LTC licences (excluding Labuan Managed Trust Company and Labuan Private Trust Company) are required to have a PII policy with a coverage of not less than RM1.0 million or its equivalent in any foreign currency and remain indemnified throughout their operations. Existing LTCs and applications submitted prior to the issuance of this circular are given an option to either have a PII policy or a placement of security deposit amounting to RM100,000 (or its equivalent in any foreign currency) with Labuan FSA.

The Labuan FSA also issued the Guidelines on Treatment of Client Monies for Labuan Insurance and Takaful Broker on 14 October 2011 to provide clarification and guidance on the treatment of clients' monies received or held by the Labuan insurance and takaful brokers in Labuan IBFC. The guidelines stipulate the requirements on the treatment of clients' monies to safeguard clients' funds and is aimed to provide a standard for the protection and ownership of clients' funds. The issuance of the guidelines is expected to further enhance confidence in the Labuan insurance sector.

Pursuant to the announcement made by the Prime Minister YAB Dato' Sri Mohd Najib bin Tun Abdul Razak on the liberalization plan for Malaysia's financial services sector, Labuan FSA had issued Guidelines on Co-location of Labuan Insurance/Takaful Companies on 23 February 2011. The guidelines provide flexibility for Labuan insurance and takaful licencees in Labuan IBFC to set up co-located offices onshore. The measure aims to leverage on the physical infrastructure and availability of human talent in Kuala Lumpur as well as other parts of Malaysia and its vicinity. A similar co-location initiative was issued for Labuan banks in January 2010.

The revised Guidelines for the Establishment of Labuan Managed Trust Companies and Guidelines for the Establishment of Labuan Trust Companies and Labuan Private Trust Companies were issued in September 2011 to ensure consistency with the requirements under the Labuan Financial Services and Securities Act 2010 (LFSSA). The guidelines issued by Labuan FSA provide guidance to prospective investors on the licensing/registration procedures and operational requirements for the establishment of trust companies under LFSSA. The guidelines serve to complement the provisions under the Act by providing detailed processes of setting-up and operating a Labuan trust company including the regulatory expectations of Labuan FSA on the licensed trust companies in Labuan IBFC.

Other Activities

Apart from banking, insurance, capital market entities and trust companies, Labuan FSA continued to closely monitor the operations and affairs of other Labuan companies. In 2011, Labuan FSA conducted investigations on Labuan companies for violations of the laws and regulations governing business and financial conduct in Labuan IBFC, which include cases for suspected fraud, unauthorised conduct of business and disclosure of false and misleading information. Arising from the result of the investigations, Labuan FSA had taken several enforcement actions under the Labuan laws to address the concerns. These include cautioning the concerned entities and individuals, sharing the outcome of investigations with relevant authorities for breaches of their respective legislation and publishing the violations in Labuan FSA's website and local media to create public awareness on the investigations.

In line with Labuan FSA's Information and Communication Strategic Plan to strengthen the internal supervisory capacity, the new on-line statistical management system (SMS) was completed and went live in February 2011. The SMS provides Labuan FSA with the ability to efficiently collect, process and analyse data for effective surveillance and decision making.

Realising the fact that business of financial institutions are interlinked with other jurisdictions, Labuan FSA continued its collaboration efforts with other authorities, both domestically and internationally. At the domestic front, Labuan FSA had been actively in contact and collaborated with relevant Law Enforcement Agencies in the areas of market development, regulation and supervision, investigation and enforcement as well as AML/CFT. As a member of various international supervisory bodies, including the Group of International Financial Centre Supervisors (GIFCS), International Association of Insurance Supervisors, Offshore Group of Insurance Supervisors, Asia Pacific Group on Money Laundering as well as the International Organisation of Securities Commission (IOSCO), Labuan FSA participated actively in programmes and activities organised by the groups. In 2011, Labuan FSA was given the privilege to host the annual general meeting of the GIFCS. On 16 May 2012, Labuan FSA was admitted as a signatory A of the IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

Forward Action

Developments in global regulatory reforms arising from the recent financial crisis have reinforced the need to enhance Labuan FSA's prudential framework. This is further supported by recommendations under the Financial Sector Blueprint for Labuan FSA to enhance its regulatory and supervisory regime in line with international standards and best practices.

While many other jurisdictions have moved to implementing a more robust capital adequacy framework, Labuan's capital requirement is still largely based on the Basel l and Margin of Solvency approach. As such, enhancements to the existing capital adequacy and solvency framework for the insurers which are in line with the internationally accepted standards will be introduced in the near future. This would include a requirement to carry out a comprehensive stress testing, where the results will be used as inputs in the assessment of capital adequacy. A review of the role and functions of the intermediaries in Labuan IBFC in ensuring effective and comprehensive prudential regulatory framework that meets with international standards shall be made.

Labuan FSA also recognizes that the adoption of a good risk management practices is vital for the effective management of Labuan IBFC business. As part of the overall governance structure, financial institutions are to establish and operate within a sound Enterprise Risk Management framework that is appropriate to the nature, scale and complexity of their business and risks. For these reasons, Labuan FSA intends to develop and consolidate a comprehensive set of standards on risk management practices with more specific guidance on the management of credit, market, operational, liquidity, insurance and other relevant risks.

As for trust companies and fund managers, efforts would be directed in developing framework on the corporate governance practices and enhancing awareness on the importance of due diligence. This is to ensure that all companies and individuals are operating within the prescribed regulatory parameters while conforming to international standards and best practices.

Labuan FSA advocates a high level of ethical conducts and professionalism from the insurance brokers and managers. To ensure that they possess the necessary skills and core competencies towards providing clients with reliable and professional advice and/or services, the insurance brokers and managers will be required to acquire the appropriate professional certifications and qualifications. Specific to the insurance brokers, Labuan FSA proposes that a compulsory examination be introduced for them to continually upgrade their knowledge and skills. While for the insurance managers, the players are expected to play a pivotal role in promoting a safe and sound insurance practices by ensuring the insurance companies for which they render services, maintain a high level of compliance with the regulatory requirements.

The Labuan FSA will intensify its macroeconomic monitoring on both the financial and non-financial businesses in Labuan IBFC through enhancement in its market surveillance. This will be largely facilitated by the effective capability of the SMS to collect and analyse data in monitoring the risk exposures of the respective institutions and industries in the jurisdiction.

Cross-border collaboration among international supervisors is essential to promote domestic and regional financial stability. Moving forward, Labuan FSA is expected to participate in supervisory colleges and cooperation programmes with other supervisory authorities that facilitate networking, exchange of supervisory concerns as well as areas of mutual interest. A robust home host supervisory framework will be put in place to facilitate constant engagement between Labuan FSA and the home supervisory authorities in supervising active international institutions.

Business and Organisational Developments

Part I - Business Developments

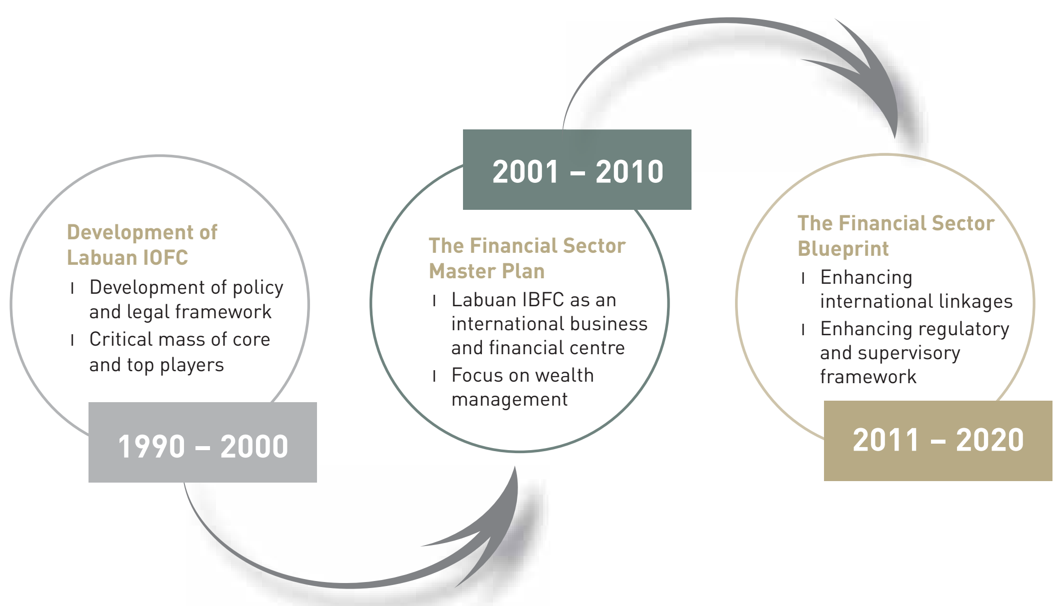
Part II - Organisational Developments

PART 1 – BUSINESS DEVELOPMENTS

The Financial Sector Blueprint (Blueprint) issued by Bank Negara Malaysia in December 2011 which charts the future direction of the Malaysian financial system over the next ten years, includes recommendations on the Labuan IBFC. In the Blueprint, Labuan IBFC is expected to continue to be a key part of the Malaysian financial system. The jurisdiction has seen a steady expansion in number of players, diversity of product offerings and volume of activities, which are all testimonies to Labuan IBFC's continued contribution to the domestic economy.

The Blueprint's recommendations on Labuan IBFC highlight its role in supporting greater international linkages through trading and investment as well as cross border cooperation in financial surveillance, regulation and supervision. This complements on-going national initiatives to strengthen international economic and financial integration with global economies and the international financial system. The recommendations also give focus to the enhanced role of the Labuan IBFC as a premier integrated business and financial centre in key sectors such as oil and gas and shipping, with Labuan institutions focussing on wealth management, investment holding company, captive insurance, reinsurance, leasing business and foundations. Further details of the Blueprint's recommendations relating to Labuan IBFC are highlighted in the following box article.

Diagram: Evolution of Labuan IBFC's Development and Role



BOX ARTICLE

Extracts from the Financial Sector Blueprint on Recommendations Relating to Labuan IBFC

The Blueprint identifies four focus areas for Labuan IBFC:

A. Focus area: Effective intermediation for a high value-added and high income economy

Recommendation 2.1.8

Enhance the provision of wealth management products and services to cater for the demands of the growing affluent segment of the community. As the pool of the affluent grows in Malaysia and across the region, there will be greater demand for innovative and customised financial solutions to meet the varying demands of individuals. Financial advisory services will become increasingly crucial in the planning and arrangement of the financial affairs of the affluent, ranging from estate management, asset management, asset allocation, tax planning and retirement planning.

Strategy

a. Facilitate internationally-established financial institutions present in the Labuan IBFC in offering services through foundations and private trust companies to institutional investors and high net worth individuals.

B. Focus area: Strengthening regional and international financial integration

Recommendation 3.1.4

Enhance the position of Labuan IBFC as a cost-effective and attractive regional operational hub for global corporations and investors to conduct their business in the region. This will involve:

Strategies

a. Develop the role of Labuan IBFC to support international trade and investments in specific business niches.

- Position Labuan IBFC as a centre for captive insurance business by enhancing the Labuan IBFC as a preferred domicile for capitves in the Asia-Pacific region.
- Promote more international trading and investment holding companies to establish operations in the Labuan IBFC.
- Encourage local conglomerates to use Labuan IBFC as a platform for outward investments in the region.
- Promote the leasing industry in Labuan IBFC.
- Further developing the insurance industry in Labuan IBFC, including reinsurance and retakaful.

b. Improve the ability of businesses in the Labuan IBFC to compete effectively through the creation of more conducive and facilitative business environment. Initiatives are targeted to harness the business and financial eco-system in Labuan in line with its vision to be Asia's most connected, convenience and cost efficient international business and financial centre.

- Allow the co-location of Labuan entities to have their physical presence in other parts of Malaysia.
- Strengthen the capabilities of service providers such as insurance managers and trust companies to ensure the highest standards of ancillary services.
- Transform the Labuan International Financial Exchange into an efficient and effective exchange that provides a viable non-ringgit listing and trading platform for financial instruments.
- Promote further business growth in shipping through collaboration with the relevant authorities to encourage ship owners to incorporate their companies in the Labuan IBFC and to obtain financing and insurance from Labuan based financial institutions. This is also aimed at boosting the development of maritime industry in Malaysia by leveraging on the status of Labuan as the sole port of registry for the Malaysia International Ship Registry.
- Enhance incentives accorded to Labuan companies, including those involved in the oil and gas sector, to attract greater investments and in the process, further promote the Labuan IBFC as trading, financing and insurance hub.

C. Focus area: Internationalisation of Islamic finance

Recommendation 3.2.2

Support the growth of the Islamic fund and wealth management industry that can offer innovative financial solutions to meet the more sophisticated investment demands of the increasingly affluent population particularly in Asia and the Middle East, thus positioning Malaysia as a regional and international centre for Islamic fund and wealth management.

Strategy

Support the establishment of relevant vehicles for asset and wealth management such as asset managers, trust companies, family offices and foundations in Malaysia including in the Labuan IBFC.

Recommendation 3.2.7

Strengthen the framework for effective and efficient flow of cross border Islamic financial activities in view of increased cooperation and coordination towards achieving greater market connectivity in Islamic finance globally. This will include positioning Malaysia including the Labuan IBFC as an international retakaful centre, with significant presence of takaful and retakaful operators supported by active takaful intermediaries to meet the domestic and global growth in takaful business.

Strategies

a. Encourage international players with strong capacity, rating and technical expertise to establish retakaful operations in Malaysia as well as attracting brokers with international linkages to serve the takaful sector.

b. Encourage greater involvement of takaful brokers in broadening the range of takaful product offerings and outreach by extending the Malaysia International Islamic Financial Centre (MIFC) incentives to such takaful brokerage business activities.

c. Promote the use of takaful as a risk management tool in Islamic financial transactions, for instance in Islamic trade finance transactions and sukuk issuances.

Recommendation 3.2.8

Continue to enhance financial linkages between different jurisdictions.

Strategy

a. Leverage on Labuan business structures and institutions to raise funds in multi-currencies in accordance with Shariah principles.

Recommendation 3.2.10

Develop Malaysia as a reference centre for Islamic financial transactions. To enable this, Malaysia needs to build on the development of human capital in Islamic finance and the establishment of the Shariah legal, regulatory and supervisory frameworks.

Strategy

Strengthening the regulatory and supervisory framework for international Islamic finance by continuing to have an active role in supporting efforts undertaken by international Islamic finance organisations such as the Islamic Financial Services Board (IFSB), International Islamic Liquidity Management Corporation (IILM), the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), International Islamic Financial Market (IIFM) and the Islamic Development Bank (IDB) in the development of Islamic finance.

D. Focus area: Enhancing the regulatory and supervisory regime

Recommendation 4.1.7

Strengthen the regulatory and supervisory framework of the Labuan IBFC in line with international standards and best practices.

Strategies

a. Enhance the capital standards for Labuan financial institutions in tandem with their growing sophistication and the development of other established financial centres. A risk-based capital model will be implemented for Labuan banking as well as the insurance and takaful sector. The minimum statutory and paid-up capital of Labuan financial institutions will also be progressively increased.

b. Strengthen corporate governance and risk management practices of Labuan financial institutions and other services with a focus on strengthening the oversight functions of financial institutions and promoting sound management of credits, market, operational, liquidity and other risks.

Tax Framework

In pursuit of initiatives to curb international tax evasion, Labuan FSA subscribes to comply with the applicable international standards for cross-border cooperation, especially to facilitate the exchange of information for tax purposes with relevant foreign authorities. Labuan IBFC as part of Malaysia, has committed its membership in the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), which is hosted by the Organisation for Economic Cooperation and Development (OECD). Labuan FSA also collaborates with the Ministry of Finance, Bank Negara Malaysia and the Inland Revenue Board of Malaysia on various initiatives to ensure that Malaysia continues to comply with globally adopted standards for the exchange of information, which includes making the requisite enhancements to Labuan IBFC's legal and regulatory frameworks.

The Global Forum has put in place a two-phased peer review process where jurisdictions will be assessed and rated based on their compliance with the globally adopted standards for the exchange of information. In 2011, Malaysia underwent the Phase 1 Peer Review assessment which concluded that Malaysia and Labuan IBFC have the necessary elements in place to achieve an effective exchange of information such as the legal and regulatory frameworks to ensure the accessibility of ownership identity and banking information by relevant foreign tax authorities.

Amendments were also made to sections 22 and 22A of the Labuan Business Activity Tax Act 1990 to facilitate disclosure of information made pursuant to tax information exchange arrangements (TIEA). This is part of the initiatives by national authorities to allow Malaysia to enter into TIEA with foreign relevant authorities that desire to sign TIEA, instead of the double tax agreements (DTA).

In tandem with the Government's policy to further develop and promote Labuan as a thriving and successful international business and financial centre, withholding tax on various types of payments and stamp duty exemptions accorded to Labuan IBFC were extended for a further ten years commencing from year of assessment 2011 until year of assessment 2020. The extension of the exemptions provides greater incentives for potential and existing investors to use Labuan IBFC as a base for their business activities. To attract and retain foreign talents to Malaysia, the 50% tax exemption on gross employment income received by non-citizens employed in a managerial capacity in a Labuan entity was extended to include employees working outside Labuan, namely at co-located or marketing offices approved by Labuan FSA and is applicable from year of assessment 2011 until 2020. The tax exemption for non-citizen directors of a Labuan entity was also extended to year of assessment 2020, to further encourage foreign investment and participation in Labuan IBFC.

Product Development

During the year, Labuan FSA introduced several business and prudential requirements, particularly with regard to Labuan Trust Companies (LTC). In addition, several reviews were conducted on a number of existing guidelines throughout the year to provide better clarity and reinforce the existing policies as well as to provide transparency for Labuan activities.

The changes to the new regulatory framework have resulted in the introduction of a number of new entities, including the Labuan private trust company. The private trust company can be established to exclusively manage the assets of the trust created by the settlor or individuals connected to the settlor, enabling more efficient and dedicated trust services specifically tailored to investors with diversified assets. The guideline on Labuan private trust company specifies the licensing and operational procedures of a private trust company in the Labuan IBFC.

A new initiative was introduced on 1 April 2011 to allow the LTC to pre-incorporate companies. Such companies, known as Labuan Pre-incorporated Companies (LPC) are regular Labuan companies which are incorporated by the LTC without any business activity for subsequent sale to investors who are in need of readily-incorporated companies in Labuan. The new initiative was introduced to meet clients' need to have a registered company immediately and is envisaged to increase the number of Labuan companies. Since the introduction of the LPC initiative, there have been 53 LPCs incorporated by the LTC in Labuan IBFC.

Labuan FSA together with the Malaysia Petroleum Resources Corporation launched the Global Incentive For Trading (GIFT) programme on 31 October 2011. The programme is aimed at positioning Malaysia as the Asia Pacific hub for the trading of petroleum and petroleum-related products. The GIFT programme offers a set of incentives to participants such as a flat corporate tax rate of 3% of chargeable income and 100% tax exemption on director fees paid to non-Malaysian director. At the inaugural launch of the programme, five trading companies were accorded licences that entitled them to be immediately eligible for the GIFT incentives. These companies are PETCO, a subsidiary of Petroliam Nasional Bhd., Dialog Group Bhd., YTL Power International Ltd, a subsidiary of YTL Corporation Bhd., B.B. Energy of Greece and Vitol Group of Switzerland.

PART II – ORGANISATIONAL DEVELOPMENTS

As part of its on-going efforts to build organisational capability and improve business processes, Labuan FSA initiated the Transformation Programme (TP) in the first quarter of 2011, focusing on organisational strategy, structure, people and processes. The TP was planned and sequenced and a four-member Transformation Committee (TC), chaired by Y. Bhg. Datuk Ali Abdul Kadir, was formed to oversee the following key action plans which were duly completed in 2011:

i) Conducting internal stakeholder consultation on Labuan IBFC's strategic direction including its translation into the corporate action plans;

ii) Enhancing the organisation structure including migrating the existing staff to their designated new roles and responsibilities to pursue new growth opportunities in the target markets;

iii) Drawing the organisation's manpower requirements and competency framework based on the identified job roles and functional accountabilities;

iv) Reviewing and implementing procedural controls and organisational risk management framework;

v) Conducting workshops to identify expected work norms and culture, align processes for inter-organisation collaboration, agree on the allocation of shared KPIs and address identified process gaps; and

vi) Conducting leadership programmes including individual coaching to enhance leadership competencies.

a) Structure Alignment

The alignment of functions under the TP resulted in the establishment of several new departments, reflecting efforts by the management to streamline the strategic functions as well as provide greater focus and clarity to the responsibilities and accountabilities of staff. These new departments included the Market Surveillance Unit, Corporate Affairs Department and Strategic Development Department. The Strategic Development Department, with a dedicated function to address policy, market and regulatory development, is a strategic initiative to ensure that the development of the IBFC remains relevant in the increasingly competitive global landscape and in ensuring its regulatory framework meets international standards and best practices.

To further reinforce a risk management culture, the functions and processes of the risk management operations were segregated from the Internal Audit Unit, making risk management in Labuan FSA an auditable function. The separation of functions was effected in December 2011 is also consistent with good corporate governance practice and has enhanced the internal risk management practices. A training programme was also organized to raise staff appreciation and internalisation of the requirements for the management of the business risks.

b) Process Enhancement

There was also a conscious effort by the management in 2011 to review the internal process and controls, following the repositioning of its business strategy and change in the organisational structure.

The Labuan FSA website, a gateway for public information and service delivery, was modernised with the deployment of Web 2.0 technology. The incorporation of online feedback facilities and enhanced browser compatibility allows for faster and easy access to corporate information. The enhancement not only improved the speed and quality of the information provided, but also presented a new, alternative mode for the public to interact with the organisation. Labuan FSA was a recipient of a 4 star-rating from a maximum of 5 star by the Multimedia Development Corporation under the Malaysian Government Portals and Websites Assessment in 2011.

In December 2011, the management of external relations and processes relating to stakeholder management were centralised and assigned to the Corporate Affairs Department. With the consolidation of the common processes, the future management of the stakeholders' affairs through various strategic dialogues, public relations and corporate event programmes will be more structured.

As in previous years, Labuan FSA continues to engage and maintain close relationship with the media. The channel, through press releases and conferences, targeted briefings and publication of articles had served as an important means for the Authority to communicate with the public on its policy stance and other key messages.

c) Emphasis on Human Capital

Labuan FSA had also focused on optimising its human capital to ensure that they remain relevant and would contribute to the effective delivery of its services. During the year, various human resource management initiatives were implemented including those identified under the TP.

A workshop was organised in July 2011 to boost inter-group effectiveness. The monthly forum, which commenced in October 2011 and jointly participated by the senior management of Labuan FSA and Labuan IBFC Inc. Sdn Bhd, is one of the action plans implemented to improve inter-organisation effectiveness and further promote horizontal collaboration.

The Employee Skill Enhancement Programme (ESEP), a customised in-house programme introduced in 2010 to the middle management, was cascaded down to the Senior Executive and Executive categories in 2011. This not only enabled Labuan FSA to facilitate consistency in sharing the common learning points across the various staff levels but also maximised the training benefits to a wider group of employees. Moving forward, separate in-house sessions will be planned to address the development of specific competencies to support the requirements for market and business development, business communication and managing international issues.

Several sessions under the umbrella of the Staff Reinforcement Education Programme were organised with the objective of providing an informal setting for staff to share their knowledge and experience with colleagues who are subject matter experts in their own field. Among the topics covered in 2011 included the reinsurance business, Labuan trust and foundations, the structure and business potential of Labuan protected cell company, features of the Labuan Business Activity Tax Act and the relevant tax changes in the 2012 Budget, which had impacted the Labuan IBFC.

Moving forward, the corporate Human Capital Management Blueprint (HCMB) will be drawn-up as part of the key initiatives under the 2012 Corporate Action Plan. The HCMB will be treated as a developmental initiative to be implemented over a period of time. A business competency framework will form the key driver to reinforce the inter-linkages between processes in the talent demand and supply management.

Furthering Labuan FSA Corporate Social Responsibilities

As a regulatory authority and responsible corporate citizen, Labuan FSA is committed to playing an active role in improving the wellbeing of society and the environment through various corporate social responsibility initiatives.

The Labuan FSA Run, an event which reinforces the support of the Authority's stakeholders ranging from the government to private agencies in Labuan, was successfully organised for the sixth consecutive year in 2011. More than 2,500 people from the island and parts of Borneo and West Malaysia participated in the charity run. Donations and funds raised from the event were channelled to several charitable and non-profit organisations in Labuan, such as the Special Olympic Association, Malaysia Islamic Women Organisation, Labuan Handicapped Association and Senior Citizens Association.

a) Education Outreach

Labuan FSA's commitment to promote continuous learning is reflected in many of its community outreach initiatives in 2011, where the Authority had hosted targeted programmes with the aim of sharing and developing greater understanding of the IBFC business and challenges. Among the programmes that were organised in 2011 included a joint-collaboration with the Malaysian Investment Development Authority to present the talk entitled "*Economic and Financial Development: Opportunities and Challenges for Industry Players in the Labuan IBFC*". In keeping with tradition, the Labuan International Finance Lecture Series was again held. Entitled, "*As I see it: The World Is Still A Dangerous Place*", the lecture by Y. Bhg. Tan Sri Dato' Dr. Lin See-Yan had highlighted the current and emerging developments in the global financial and economic landscape. The Authority also played host to the 24th Board of Directors meeting of the International Islamic Financial Market and the Group of International Finance Centre Supervisors meeting in Labuan.

Labuan FSA's strategic partnership with the University Malaysia Sabah - Labuan International Campus (USM-KAL) was further strengthened with the accord of the annual prestigious "Excellence Achievements Award" to top students who were pursuing International Business and Financial Study at the UMS-KAL. The effort represented the Authority's contribution to nurture critical talent and build the required mass of competent workforce in the financial services sector. Labuan FSA also gave awards to selected primary and secondary students who excelled in their UPSR, PMR, SPM and STPM examinations in 2011.

b) Enhancing the Local Infrastructure and Ancillary Services

The involvement of Labuan FSA in managing and funding the Labuan International School (LIS) since 1999 is another example of its commitment to the local and international communities to provide holistic facilities and enhance the quality of life in the IBFC. The Authority's support of the LIS is in line with the local Government's initiatives to maximise the potentials and synergies of the IBFC with the establishment of UMS-KAL, Labuan Matriculation College and several industrial and vocational institutes. The following programmes continue to be offered by the LIS:

- 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 the Malaysian Integrated Secondary School curriculum; and
- Tadika Manjaria, a preschool for local and foreign children between the age of four and six.

The support of the Malaysian Government has been and will continue to be critical to the development of LIS as a reputable international education centre. Under the Ninth Malaysia Plan, the Government has allocated funding for the construction of a new school building equipped with state-of-the-art ICT infrastructure and other modern teaching facilities. The new school building is expected to be occupied in mid 2012. As at end of December 2011, the school has a total of 253 students comprising both local and foreign students. This enrolment figure is expected to increase with the expansion of the premise and its new facilities.

Future Outlook

The Authority will continue to pursue initiatives for continuous improvement and to strengthen organisational capacity and capability to ensure that it remains effective and efficient in discharging not only its mandate, but also towards fulfilling the recommendations relating to the Labuan IBFC under the Blueprint. The Authority's role is further enlarged through its collaboration and partnership with the local communities and other local agencies in the various economic and social activities conducted in line with the government's vision to advance Malaysia to the status of high value-added, high income economy by 2020.

Financial Statements

CERTIFICATE OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LABUAN FINANCIAL SERVICES AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2011

The financial statements of Labuan Financial Services Authority and the Group for the year ended 31 December 2011 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 or omission. 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, significant estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements give a true and fair view of the financial position of Labuan Financial Services Authority and the Group as at 31 December 2011 and of the results of its operations and its cash flows for the year ended in accordance with the approved accounting standards.

I have considered the financial statements and the auditor's reports of the subsidiary companies of which I have not acted as auditor as indicated in the notes to the consolidated financial statements. I am satisfied that these financial statements of the subsidiary companies that have been consolidated with Labuan 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 purposes.

The auditor's reports on the financial statements of the subsidiary companies were not subjected to any observations that could affect the consolidated financial statements.

(ONG SWEE LENG)
for AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
26 APRIL 2012

STATEMENT BY THE MEMBERS OF THE LABUAN FINANCIAL SERVICES AUTHORITY

We, **DR. ZETI AKHTAR AZIZ** and **AHMAD HIZZAD BAHARUDDIN**, being two of the Members of **LABUAN FINANCIAL SERVICES AUTHORITY**, state that, in the opinion of the Members of the Authority, the accompanying statements of financial position, statements of comprehensive income, statements of cash flows and statements of changes in reserves are properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of **LABUAN FINANCIAL SERVICES AUTHORITY** as at 31 December 2011 and its financial performance and cash flows for the year ended.

On behalf of the Members of the Authority.

DR. ZETI AKHTAR AZIZ
Chairman

AHMAD HIZZAD BAHARUDDIN
Director-General

Labuan, Malaysia
9 April 2012

STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF LABUAN FINANCIAL SERVICES AUTHORITY

I, **DANIAL MAH ABDULLAH** (600626-07-5151), being the officer primarily responsible for the financial management of **LABUAN FINANCIAL SERVICES AUTHORITY**, do solemnly and sincerely declare that the accompanying statements of financial position, statement of comprehensive income, statements of cash flows and statements of 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
in the Federal Territory of Labuan
on this

9 day of April 2012

Before me,

COMMISSIONER FOR OATHS
L 006
NORMALA MAT JALI
MALAYSIA

Lot U0031, Ting 1, Jln OKK Awg Besar
P O. Box 81662, 87028 W. P. Labuan
Tel No: 087-415057, 416057, Fax No: 087-413057

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	GROUP		AUTHORITY	
		2011	2010	2011	2010
		RM	RM	RM	RM
Revenue	4	28,157,064	24,138,349	26,929,950	22,994,746
Other items of income					
Government grant	13	15,112,405	20,088,797	13,932,688	19,593,320
Income from other investments	5	824,042	707,878	735,363	679,828
Other incomes	6	770,889	499,183	646,666	367,036
Other items of expense					
Staff costs	7	(23,384,297)	(21,008,697)	(16,417,558)	(15,568,679)
Depreciation of property, plant and equipment	9	(2,564,595)	(2,600,591)	(779,633)	(911,410)
Other expenses	6	(20,425,801)	(20,688,898)	(28,010,661)	(28,098,802)
(Deficit)/surplus before tax		(1,510,293)	1,136,021	(2,963,185)	(943,961)
Income tax expense	8	–	–	–	–
Net (deficit)/surplus for the year		**(1,510,293)**	**1,136,021**	**(2,963,185)**	**(943,961)**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2011

	Note	GROUP		AUTHORITY	
		2011	2010	2011	2010
		RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	4,391,907	6,300,757	1,692,343	2,316,072
Investments in subsidiaries	10	–	–	1	1
Other receivables	11	9,296,455	9,986,085	9,296,455	9,986,085
		13,688,362	16,286,842	10,988,799	12,302,158
Current assets					
Fees and other receivables	11	9,264,225	8,723,441	12,393,074	12,014,774
Cash and bank balances	12	29,838,134	31,624,512	22,467,118	25,914,961
		39,102,359	40,347,953	34,860,192	37,929,735
Total assets		52,790,721	56,634,795	45,848,991	50,231,893
RESERVES AND LIABILITIES					
Current liabilities					
Deferred income	13	5,385,988	7,998,393	1,548,283	2,980,971
Other payables	14	9,553,926	8,797,302	6,226,027	5,735,056
Government loans	15	500,000	3,000,000	500,000	3,000,000
		15,439,914	19,795,695	8,274,310	11,716,027
Non-current liabilities					
Employee benefits	16	417,000	395,000	417,000	395,000
Government loans	15	12,000,000	10,000,000	12,000,000	10,000,000
		12,417,000	10,395,000	12,417,000	10,395,000
Total liabilities		27,856,914	30,190,695	20,691,310	22,111,027
Reserves					
Accumulated surplus		24,933,807	26,444,100	25,157,681	28,120,866
Total reserves and liabilities		52,790,721	56,634,795	45,848,991	50,231,893

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN RESERVES

For the financial year ended 31 December 2011

	Accumulated surplus RM
GROUP	
Opening balance at 1 January 2010	25,591,252
Effect of adopting FRS 139	(283,173)
Net surplus for the year	1,136,021
Closing balance at 31 December 2010	26,444,100
Opening balance at 1 January 2011	26,444,100
Net deficit for the year	(1,510,293)
Closing balance at 31 December 2011	24,933,807
AUTHORITY	
Opening balance at 1 January 2010	29,348,000
Effect of adopting FRS 139	(283,173)
Net deficit for the year	(943,961)
Closing balance at 31 December 2010	28,120,866
Opening balance at 1 January 2011	28,120,866
Net deficit for the year	(2,963,185)
Closing balance at 31 December 2011	25,157,681

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2011

	GROUP		AUTHORITY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Operating activities				
(Deficit)/surplus before tax	(1,510,293)	1,136,021	(2,963,185)	(943,961)
Adjustments for:				
Depreciation of property, plant and equipment	2,564,595	2,600,591	779,633	911,410
Utilisation of government grant	(15,112,405)	(20,088,797)	(13,932,688)	(19,593,320)
Gain on disposal of property, plant and equipment	(49,448)	–	(46,042)	–
Provision for long term employee benefits written back	22,000	9,000	22,000	9,000
Property, plant and equipment written off	17,762	96,257	17,764	–
Interest income	(1,007,359)	(899,322)	(918,680)	(871,272)
Operating Deficit Before Working Capital Changes	(15,075,148)	(17,146,250)	(17,041,198)	(20,488,143)
Changes in working capital:				
Fees receivable	(323,735)	(296,377)	(185,780)	(214,172)
Other receivables	396,231	(1,583,267)	420,616	(1,436,557)
Amounts due from subsidiaries	–	–	144	3,201
Fees received in advance	519,855	40,628	519,855	40,628
Refundable deposits	(100,000)	100,000	(100,000)	100,000
Other payables and accruals	336,769	2,636,935	316,440	1,401,673
Amount owing to a subsidiary	–	–	(245,324)	88,086
Cash Used In Operations	(14,246,028)	(16,248,331)	(16,315,247)	(20,505,284)
Interest received	183,317	191,444	183,317	191,444
Net Cash Used In Operating Activities	(14,062,711)	(16,056,887)	(16,131,930)	(20,313,840)
Investing activities				
Proceeds from disposal	69,779	–	56,777	–
Additions of property, plant and equipment	(693,838)	(1,025,304)	(184,403)	(161,493)
Interest received	900,392	768,565	811,713	739,327
Net Cash From/(Used In) Investing Activities	276,333	(256,739)	684,087	577,834

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (cont'd)

For the financial year ended 31 December 2011

	GROUP		AUTHORITY	
	2011	2010	2011	2010
	RM	RM	RM	RM
Financing activities				
Government grant received	12,500,000	17,500,000	12,500,000	17,500,000
Repayment of Government loans	(500,000)	–	(500,000)	–
Cash From Financing Activities	12,000,000	17,500,000	12,000,000	17,500,000
Net (decrease)/increase in cash and cash equivalents	(1,786,378)	1,186,374	(3,447,843)	(2,236,006)
Cash and cash equivalents at 1 January	31,624,512	30,438,138	25,914,961	28,150,967
Cash and cash equivalents at 31 December (note 12)	29,838,134	31,624,512	22,467,118	25,914,961

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011

1. Corporate information

The Labuan Financial Services Authority was established on 15 February 1996. 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 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.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Authority have been prepared in accordance with the provisions of the Labuan Financial Services Authority Act, 1996 and Financial Reporting Standards (FRSs) in Malaysia. At the beginning of the current financial year, the Group and the Authority adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Authority have also been prepared on a historical basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Authority adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	***Effective for annual periods beginning on or after***
FRS 1 *First-time Adoption of Financial Reporting Standards*	1 July 2010
Amendments to FRS 2 *Share-based Payment*	1 July 2010
FRS 3 *Business Combinations*	1 July 2010
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 127 *Consolidated and Separate Financial Statements*	1 July 2010
Amendments to FRS 138 *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 July 2010
IC Interpretation 12 *Service Concession Arrangements*	1 July 2010
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 July 2010
Amendments to FRS 132: *Classification of Rights Issues*	1 March 2010
IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2011
Amendments to FRS 7: *Improving Disclosures about Financial Instruments*	1 January 2011
Amendments to FRS 1: *Limited Exemptions for First-time Adopters*	1 January 2011
Amendments to FRS 1: *Additional Exemptions for First-time Adopters*	1 January 2011
IC Interpretation 4 *Determining Whether an Arrangement contains a Lease*	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and the Authority except as discuss below:

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. The amendments clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 20 (b).

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The Group and the Authority will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012.

The Authority members are of the opinion that the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 would not be significantly different if prepared under the MFRS Framework.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Authority and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Authority. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2. Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquirees are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.4 Foreign currency

a) Functional and presentation currency

The individual financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Authority's functional currency.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Authority and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.4 Foreign currency (cont'd)

b) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipments is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	Over the lease period
Buildings	50 years
Motor vehicles	4 years
Computers	3 years
Furniture, fittings, office equipment, and renovation	3 to 7 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. Summary of significant accounting policies (cont'd)

2.5 Property, plant and equipment (cont'd)

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is recognised.

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.7 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Authority's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses

2.8 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Authority become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Authority determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

As at the reporting date, the Group and the Authority did not have any financial assets classified as financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sales financial assets.

Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are recognised or impaired, and through the recognised process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of financial assets

The Group and the Authority assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Authority considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Authority 's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recgonised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

2. Summary of significant accounting policies (cont'd)

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.12 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the grants related to income shall be recognised in profit and loss on a systematic basic over the periods in which the Group and the Authority recognised as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income".

2.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Authority become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

As at the reporting date, the Group and the Authority did not have any financial liabilities classified as financial liabilities at fair value through profit or loss.

The Group's and the Authority's financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognized initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.13 Financial liabilities (cont'd)

Government loans are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Government loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The benefits of government loans procured at below-market interest rates are treated as government grants. The loans shall be recognised and measured at their fair value where the benefits of the below-market interest rates are measured as the difference between the initial carrying value of the loans and the proceeds received. Government loans at below-market interest rates received prior to 1 January 2010 are a form of government assistance but the relevant FRS standard does not require the benefits to be quantified by the imputation of interest.

For financial liabilities, gains and losses are recognised in profit or loss when the liabilities are recognised, and through the recognised process.

A financial liability is recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

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 reporting date on high quality corporate bonds or government bonds.

2. Significant accounting policies (cont'd)

2.15 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount recognised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.16 Revenue

Revenue is recgonised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be realiably measured. Revenue is measured at the fair value of consideration received and receivable.

Fee income from business

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

2. Significant accounting policies (cont'd)

2.16 Revenue (cont'd)

Other fees

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

Interest income

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

Rental income

Rental income is recognised on an accrual basis.

2.17 Income taxes

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the reporting 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 reporting date.

Deferred tax liability is recognised for all taxable temporary differences.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of fee receivables and other receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

b) Deferred tax assets

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

4. Revenue

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Fee income	26,929,950	22,994,746	26,929,950	22,994,746
Other fees	1,227,114	1,143,603	–	–
	28,157,064	24,138,349	26,929,950	22,994,746

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

5. Income from other investments

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Interest received from:				
Fixed deposits	761,855	673,810	673,176	645,760
Money at call	62,187	34,068	62,187	34,068
	824,042	707,878	735,363	679,828

6. Other income/(expenses)

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

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other income:				
Interest income from staff loans:				
- Key management personnel	16,478	22,759	16,478	22,759
- Others	166,839	168,685	166,839	168,685
Rental income	76,373	79,244	71,873	76,484
Miscellaneous income	433,440	147,467	345,434	99,108
Gain on disposal of property, plant and equipment	49,448	–	46,042	–
Waiver of debts	–	81,028	–	–
Reversal of allowance for impairment loss on other receivables	34,717	1,500	–	1,500

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

6. Other income/(expenses) (cont'd)

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Other operating expenses:				
Project expenditure incurred under the Ninth / Tenth Malaysia Plan government grant*	(15,112,405)	(18,622,041)	(13,932,688)	(19,593,320)
Audit fees				
- current year	(48,400)	(29,000)	(20,000)	(20,000)
- over provision in prior year	1,669	–	1,669	1,345
Members' remuneration:				
- Executive	(866,855)	(814,070)	(866,855)	(814,070)
- Non-executive	(131,000)	(115,000)	(100,500)	(115,000)
Other key management personnel compensation:				
- Short term employee benefits	(3,941,041)	(3,591,599)	(2,727,041)	(2,649,974)
Reversal/(Expense) relating to long term employee benefit	(22,000)	(9,000)	(22,000)	(9,000)
Rental expenses	(1,607,306)	(1,084,272)	(1,085,072)	(1,084,272)
Fees and trade receivable written off	(47,010)	(155,705)	(47,010)	–
Amount owing by subsidiary companies written off	–	–	(1,512,017)	(13,577)
Property, plant and equipment written off	(17,762)	(96,257)	(17,762)	–
Contributions to Labuan FSA Staff Welfare Fund	(330,000)	(300,000)	(330,000)	(300,000)
Lease of machinery and equipment	(128,160)	(120,660)	(62,360)	(61,200)
Tuition fees paid to a subsidiary	–	–	(179,069)	(190,432)
Allowance for impairment loss on fees receivables	(1,274,927)	(1,218,287)	(1,215,770)	(1,218,287)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

6. Other income/(expense) (cont'd)

* These included the following expenditures:

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Expenses for Information Technology System upgrade	(249,933)	(1,399,432)	(249,933)	(1,399,432)
Management fees	(1,500,000)	(1,500,000)	–	–
Ninth/Tenth Malaysia Plan expenses paid to subsidiaries	–	–	(12,332,396)	(15,615,002)
Operational expenses	(1,253,417)	(633,427)	–	–
Promotional and marketing expenses	(4,700,749)	(4,706,253)	(41,942)	–
Repair and maintenance expenses	–	(897,866)	–	–
Research and development expenses	(1,307,417)	(1,010,552)	(1,053,756)	(1,010,552)
Staff costs	(6,099,889)	(5,137,605)	–	–

7. Staff costs

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Staff costs	23,384,297	21,008,697	16,417,558	15,568,679

Included in staff costs are the Group's and the Authority's contributions to the Employees Provident Fund of RM2,437,075 (2010: RM2,233,792) and RM1,999,154 (2010: RM1,885,148) respectively.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

8. Income tax expense

Group

Domestic current income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

The Authority

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 2011.

On 18 February 2010, Ministry of Finance granted a further extension of ten years on the exemption period until the year of assessment 2020.

Reconciliation between tax expense and accounting (deficit)/surplus

The reconciliation between tax expense and the product of accounting (deficit)/surplus multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
(Deficit)/surplus before tax	(1,510,293)	1,136,021	(2,963,185)	(943,961)
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	(377,573)	284,005	(740,796)	(235,990)
Effect of income not subject to tax	(817,900)	(1,785,685)	–	–
Effect of expenses not deductible for tax purposes	370,711	1,374,226	–	–
Utilisation of previously unrecognised unabsorbed capital allowance	–	(143,174)	–	–
Deferred tax assets not recognised	824,762	270,628	740,796	235,990
Tax expense for the year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

8. Income tax expense (cont'd)

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

	Group	
	2011	2010
	RM	RM
Provisions	740,906	542,636
Unutilised tax losses	5,784,956	3,288,828
Accelerated capital allowances	(142,522)	(148,061)
Unabsorbed capital allowances	255,356	863,264
	6,638,696	4,546,667

The unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

9. Property, plant and equipment

	Leasehold land	Buildings	Motor vehicles	Computers	Furniture, fittings, office equipment and renovation	Total
	RM	RM	RM	RM	RM	RM
Group						
Cost						
At 1 January 2010	442,000	688,000	1,370,469	2,890,727	12,909,179	18,300,375
Additions	–	–	–	188,964	836,340	1,025,304
Write-off	–	–	–	–	(347,741)	(347,741)
At 31 December 2010/ 1 January 2011	442,000	688,000	1,370,469	3,079,691	13,397,778	18,977,938
Additions	–	–	372,472	184,119	137,247	693,838
Disposal	–	–	(266,060)	(10,817)	(65,529)	(342,406)
Written off	–	–	–	(155,987)	(33,762)	(189,749)
At 31 December 2011	442,000	688,000	1,476,881	3,097,006	13,435,734	19,139,621
Accumulated depreciation						
At 1 January 2010	5,700	162,203	997,650	2,400,725	6,761,796	10,328,074
Charge for the year	518	13,750	165,344	330,008	2,090,971	2,600,591
Disposal	–	–	–	–	–	–
Write-off	–	–	–	–	(251,484)	(251,484)
At 31 December 2010/ 1 January 2011	6,218	175,953	1,162,994	2,730,733	8,601,283	12,677,181
Charge for the year	518	13,750	211,796	260,826	2,077,705	2,564,595
Disposal	–	–	(263,704)	(7,469)	(50,904)	(322,077)
Written off	–	–	–	(155,974)	(16,011)	(171,985)
At 31 December 2011	6,736	189,703	1,111,086	2,828,116	10,612,073	14,747,714
Carrying amounts						
At 31 December 2010/ 1 January 2011	435,782	512,047	207,475	348,958	4,796,495	6,300,757
At 31 December 2011	435,264	498,297	365,795	268,890	2,823,661	4,391,907

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

9. Property, plant and equipment (cont'd)

	Leasehold land	Buildings	Motor vehicles	Computers	Furniture, fittings, office equipment and renovation	Total
	RM	RM	RM	RM	RM	RM
The Authority						
Cost						
At 1 January 2010						
As previously stated	442,000	688,000	920,166	2,551,180	5,248,488	9,849,834
Additions	–	–	–	140,144	21,349	161,493
At 31 December 2010/ 1 January 2011	442,000	688,000	920,166	2,691,324	5,269,837	10,011,327
Additions	–	–	–	155,863	28,540	184,403
Disposal	–	–	(266,060)	(10,817)	(36,039)	(312,916)
Written off	–	–	–	(155,987)	(33,762)	(189,749)
At 31 December 2011	442,000	688,000	654,106	2,680,383	5,228,576	9,693,065
Accumulated depreciation						
As previously stated						
At 1 January 2010	5,700	162,203	806,387	2,277,922	3,531,633	6,783,845
Charge for the year	518	13,750	56,588	211,726	628,828	911,410
At 31 December 2010/ 1 January 2011	6,218	175,953	862,975	2,489,648	4,160,461	7,695,255
Charge for the year	518	13,750	51,168	153,910	560,287	779,633
Disposal	–	–	(263,704)	(7,469)	(31,008)	(302,181)
Written off	–	–	–	(155,974)	(16,011)	(171,985)
At 31 December 2011	6,736	189,703	650,439	2,480,115	4,673,729	8,000,722
Carrying amounts						
At 31 December 2010/ 1 January 2011	435,782	512,047	57,191	201,676	1,109,376	2,316,072
At 31 December 2011	435,264	498,297	3,667	200,268	554,847	1,692,343

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

10. Investments in subsidiaries

	Authority	
	2011	2010
	RM	RM
Unquoted shares, at cost	1	1

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

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2011	2010
Held by the Authority:				
LabuanFSA Incorporated Sdn. Bhd.	Malaysia	Investment holding	100	100
Held through LabuanFSA Incorporated Sdn. Bhd.:				
Pristine Era Sdn. Bhd.	Malaysia	Provision of educational services	100	100
Labuan IBFC Incorporated Sdn. Bhd.	Malaysia	Marketing and promoting Labuan International Business and Financial Centre	100	100

11. Fees and other receivables

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current				
Fees receivables	7,877,125	7,592,813	7,431,964	7,344,764
Less: Allowance for impairment	(1,004,337)	(1,043,760)	(945,180)	(1,043,760)
Fees receivables, net	6,872,788	6,549,053	6,486,784	6,301,004
Other receivables				
Amount due from subsidiary	–	–	3,999,487	3,999,631
Staff housing loans	446,924	598,661	446,924	598,661
Staff vehicle loans	269,648	372,272	269,648	372,272
Staff advances/ sundry debtors	864,760	248,461	703,765	229,875
Refundable deposits	424,581	480,082	235,111	198,261
Interest receivable	379,875	456,225	379,875	456,225
Prepaid expenses	91,041	35,536	86,700	27,055
Others	129,828	151,361	–	–
	2,606,657	2,342,598	6,121,510	5,881,980
Less: Allowance for impairment	(215,220)	(168,210)	(215,220)	(168,210)
	2,391,437	2,174,388	5,906,290	5,713,770
	9,264,225	8,723,441	12,393,074	12,014,774
Non-current				
Other receivables:				
Staff housing loans	8,129,277	8,485,731	8,129,277	8,485,731
Staff vehicle loans	1,167,178	1,500,354	1,167,178	1,500,354
	9,296,455	9,986,085	9,296,455	9,986,085
Total fees and other receivables (current and non-current)	18,560,680	18,709,526	21,689,529	22,000,859
Add: Cash and bank balances (note 12)	29,838,134	31,624,512	22,467,118	25,914,961
Less: Prepayments	(91,041)	(35,536)	(86,700)	(27,055)
Total loans and receivables	48,307,773	50,298,502	44,069,947	47,888,765

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

11. Fees and other receivables (cont'd)

a) Fees receivable (cont'd)

Aging analysis of fees and trade receivables

The ageing analysis of the Group and the Authority fees and trade receivables are as follows:

	Group	
	2011	2010
	RM	RM
Neither past due nor impaired	6,486,784	6,301,004
1 to 90 days past due not impaired	2,205	107,918
More than 91 days past due not impaired	383,799	140,131
	386,004	248,049
Impaired	1,004,337	1,043,760
	7,877,125	7,592,813

	Authority	
	2011	2010
	RM	RM
Neither past due nor impaired	6,486,784	6,301,004
Impaired	945,180	1,043,760
	7,431,964	7,344,764

Receivables that are neither past due nor impaired

Fees and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Authority. All of the Group's and the Authority's fees receivables arise from customers with more than four years of experience with the Authority and losses have occurred infrequently.

None of the Group's and the Authority's fees receivables that are neither past due nor impaired has been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Authority have fees and trade receivables amounting to RM386,044 and Nil (2010: RM248,049 and Nil) respectively that are past due at the reporting date but not impaired.

11. Fees and other receivables (cont'd)

a) Fees receivable (cont'd)

Receivables that are impaired

The Group's and the Authority's trade receivables that are impaired at the reporting date and the movement of allowance accounts used to record the impairment are as follows:

	Collectively impaired		Individually impaired		Total	
	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	RM
Group						
Trade receivables - nominal amounts	376,980	387,960	627,357	655,800	1,004,337	1,043,760
Less: Allowance for impairment	(376,980)	(387,960)	(627,357)	(655,800)	(1,004,337)	(1,043,760)
	–	–	–	–	–	–

	Collectively impaired		Individually impaired		Total	
	2011	2010	2011	2010	2011	2010
	RM	RM	RM	RM	RM	RM
Authority						
Trade receivables - nominal amounts	376,980	387,960	568,200	655,800	945,180	1,043,760
Less: Allowance for impairment	(376,980)	(387,960)	(568,200)	(655,800)	(945,180)	(1,043,760)
	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

11. Fees and other receivables (cont'd)

a) Fees receivable (cont'd)

Movement in allowance account

	2011	2010
	RM	RM
At 1 January	1,043,760	660,800
Effect of adopting FRS 139	–	283,173
Net (reversal)/charged for the year	(98,580)	99,787
At 31 December	945,180	1,043,760

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

b) Staff housing and vehicle loans

Staff housing and vehicle loans are repayable over a maximum period of 25 years and 7 year respectively. The interest charged on these loan ranges from 2% to 3% (2010: 2% to 3%) per annum.

c) Amount due from subsidiary

The amount due from subsidiary is non-trade in nature and interest free.

12. Cash and cash equivalents

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Fixed deposits with licensed banks	21,900,000	25,800,000	16,000,000	24,000,000
Money at call with licensed banks	5,809,811	–	5,809,811	–
Cash on hand and at banks	2,128,323	5,824,512	657,307	1,914,961
	29,838,134	31,624,512	22,467,118	25,914,961

12. Cash and cash equivalents (cont'd)

The effective interest rates are as follows:

	Group		Authority	
	2011	2010	2011	2010
	% p.a.	% p.a.	% p.a.	% p.a.
Fixed deposits	3.25	2.94	3.25	2.94
Money at call	2.45	1.15	2.45	1.15

The fixed deposits have maturity of 1 year (2010: 1 year) while money at call has maturity of 1 day (2010: 1 day).

13. Deferred income

During the year, the Authority received a government grant of RM12.5 million (2010: RM17.5 million) from the Ministry of Finance for the purpose of projects to be undertaken by the Authority under the Tenth Malaysia Plan. The grant forms part of the total allocation of RM80 million for the duration of the Tenth Malaysia Plan from 2011 to 2015 (2010: 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 and the Authority under the Tenth and Ninth Malaysia Plan.

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Deferred income at 1 January	7,998,393	10,587,190	2,980,971	5,074,291
Government grant received	12,500,000	17,500,000	12,500,000	17,500,000
Less: Amount recognised in income statement	(15,112,405)	(20,088,797)	(13,932,688)	(19,593,320)
Deferred income at 31 December	5,385,988	7,998,393	1,548,283	2,980,971

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

14. Other payables

	Group		Authority	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Current				
Amount due to subsidiary	–	–	–	245,324
Fees received in advance	2,533,258	2,013,403	2,533,258	2,013,403
Refundable deposits	1,100,000	1,200,000	1,100,000	1,200,000
Accruals	1,571,431	1,993,369	367,599	427,250
Other payables	4,349,237	3,590,530	2,225,170	1,849,079
Total other payables representing financial liabilities carried at amortised cost	9,553,926	8,797,302	6,226,027	5,735,056

a) Amount due to subsidiary

The amount due to subsidiary is non-trade in nature, interest free and payable on demand.

b) Fees received in advance

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

c) Refundable deposits

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.

d) Other payables

Other payables comprise amounts outstanding for ongoing costs.

15. 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 represent government assistances and are unsecured and interest-free. The balance of the first loan and the second loan are repayable until year 2020 with staggered repayment term.

The maturities of the Government loans as at reporting date are as follows:

	Group and the Authority	
	2011	2010
	RM	RM
Within 12 months	500,000	3,000,000
After 12 months	12,000,000	10,000,000

16. Employee benefits

Movements in the liability for other long term employee benefits:

	Group and the Authority	
	2011	2010
	RM	RM
At 1 January	395,000	386,000
Settled during the year	(49,784)	–
Recognised in income statement	71,784	9,000
At 31 December	417,000	395,000

16. Employee benefits (cont'd)

Assumptions

Principal assumptions at the reporting date:

	Group and the Authority	
	2011	2010
	%	%
Discount rate at 31 December	4.38	4.38
Future salary increases	6.00	5.11

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.

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

17. Related parties disclosures

a) Services rendered

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Authority	
	2011	2010
	RM	RM
Tuition fees paid to a subsidiary	179,069	190,432
Project expenditure incurred under the Tenth Malaysia Plan under government grant to subsidiary	12,332,396	15,615,002

17. Related parties disclosures (cont'd)

a) Services rendered (cont'd)

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.

b) Compensation of key management personnel

	Group and the Authority	
	2011	2010
	RM	RM
Key management personnel		
- Staff housing loans	633,563	689,362
- Staff vehicle loans	174,460	184,424
	808,023	873,786

18. Commitments

Operating leases commitments – as lease

The Group has entered into commercial leases on office equipment and an office premise. These leases have an average tenure of between three and five years with renewal option and no contingent rent provision included in the contracts. The Group is restricted from subleasing the leased equipment to third parties.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group		Authority	
	2011	2010	2011	2010
	RM	RM	RM	RM
Later than 1 year	103,060	44,268	60,520	–
Later than 1 year but not later than 5 years	166,435	–	73,440	–
	269,495	44,268	133,960	–

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (cont'd)

19. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Fees and other receivables	11
Cash and bank balances	12
Other payables	14

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values, due to their short-term nature.

20. 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 and liquidity 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.

a) Credit risk

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

Information regarding credit enhancements for fees and other receivables is disclosed in Note 11(a).

b) Liquidity risk

The Authority practices 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.

20. Financial risk management objectives and policies (cont'd)

b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Authority's financial assets and financial liabilities at the reporting date based on contractual undiscounted amount.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial assets:				
Other receivables	9,258,576	2,667,074	6,629,774	18,555,424
Cash and bank balances	29,838,134	–	–	29,838,134
	39,096,710	2,667,074	6,629,774	48,393,558
Financial liabilities:				
Government loans	500,000	4,000,000	8,000,000	12,500,000
Other payables	9,553,926	–	–	9,553,926
	10,053,926	4,000,000	8,000,000	22,053,926
Net undiscounted financial assets/ (liabilities)	29,042,784	(1,332,926)	(1,370,226)	26,339,632
Authority				
Financial assets:				
Other receivables	8,522,107	2,667,074	6,629,774	17,818,955
Cash and bank balances	22,467,118	–	–	22,467,118
	30,989,225	2,667,074	6,629,774	40,286,073
Financial liabilities:				
Government loans	500,000	4,000,000	8,000,000	12,500,000
Other payables	6,226,027	–	–	6,226,027
	6,726,027	4,000,000	8,000,000	18,726,027
Net undiscounted financial assets/ (liabilities)	**24,263,198**	**(1,332,926)**	**(1,370,226)**	**21,560,046**

21. Authorisation of financial statements for issue

The financial statements were authorised for issue by the Members of the Authority on 9 April 2012.

Appendices

CORPORATE EVENTS IN 2011

DATE	EVENTS
9 Feb	Talk on "Economic and Financial Development in the Region: Opportunities and Challenges for Industry Players in Labuan IBFC" by Y. Bhg. Tan Sri Dr. Sulaiman Mahbob, Chairman of the Malaysian Investment Development Authority (MIDA).
10 Feb	Briefing to H.E. Ambassador Vincent Piket, Head of Delegation of the European Union to Malaysia on International Affairs on the development of Labuan IBFC.
1-12 Mar	Exhibition in conjunction with Federal Territory celebration in Kuala Lumpur.
8 Mar	Domestic investment seminar in Kuala Lumpur held by MIDA in collaboration with SME Corp.
6 May	Release of Labuan FSA Annual Report 2010 by Y. Bhg. Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Chairman of Labuan FSA.
6 Jun	Briefing to foreign Ambassadors and High Commissioners in Malaysia on the developments of Labuan IBFC by Y. Bhg. Tan Sri Zarinah Anwar, member of Authority of Labuan FSA and Chairman, Securities Commission of Malaysia.
23 Jun	Talk on "Labuan FSA – Well Regulated International Financial Centre for Business Growth" at UEM Group Berhad, Treasury Knowledge Seminar in Kuala Lumpur.
25 Jun	Labuan FSA Run 2011 organised in collaboration with Labuan Sports Council and Labuan financial institutions.
3-5 Jul	24th Board of Directors Meeting of the International Islamic Financial Market (IIFM).
18-20 Jul	Panel discussion on "Enhancing Business Opportunities through Labuan IBFC" organized in collaboration with Labuan IBFC Inc. Sdn Bhd in Jakarta.
19-23 Sept	Group of International Finance Centre Supervisors Meeting and Regional Seminar on Basel III and Corporate Governance in Labuan.
3 Oct	Mr. Ahmad Hizzad Baharuddin appointed as the new Director-General of Labuan FSA for a three year term, effective 3 October 2011.
31 Oct	Launch of the Global Incentives for Trading programme in collaboration with the Malaysia Petroleum Resources Corporation.
2-4 Nov	Exhibition and promotion on Labuan IBFC during the ASEAN Oil and Gas Expo 2011 in Labuan.
8 Dec	Labuan Financial Industry Annual Dinner 2011.
9 Dec	Labuan International Finance Lecture Series entitled "As I see it: The World is Still a Dangerous Place" by Y. Bhg. Tan Sri Dato' Dr. Lin See-Yan.

Appendices

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS

As at 15 May 2012

Labuan Banks (Country of Origin)

1 **Affin Bank Berhad, Labuan Branch**
(Malaysia)
Tel: 087-411931
Fax: 087-411973
E-mail: kttan@affinbank.com.my

Mr Tan Kok Toon

2 **AmBank (M) Berhad, Labuan Offshore Branch**
(Malaysia)
Tel: 087-413133
Fax: 087-425211
E-mail: iskandar-hafidz@ambankgroup.com

Mr Mohamad Iskandar Hafidz

3 **AmInternational (L) Ltd**
(Malaysia)
Tel: 087-413133
Fax: 087-425211
E-mail: iskandar-hafidz@ambankgroup.com

Mr Mohamad Iskandar Hafidz

4 **Australia and New Zealand Banking Group Limited, Labuan Branch**
(Australia)
Tel: 087-451588
Fax: 087-431588
E-mail: fauziah.hisham@anz.com

Ms Fauziah Hisham

5 **Bank Islam Malaysia Berhad, Labuan Offshore Branch**
(Malaysia)
Tel: 087-451802
Fax: 087-451800
E-mail: jaafar@bankislam.com.my

Mr Jaafar Abu

6 **Bank Muamalat Malaysia Berhad, Labuan Offshore Branch**
(Malaysia)
Tel: 087-412898
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Mr Ahmad Najib Nazlan

7 **Bank of America National Association, Labuan Branch**
(United States of America)
Tel: 087-411778
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E-mail: joanne.oh@bankofamerica.com

Ms Joanne Oh Phaik Ean

8 **Barclays Bank Plc, Labuan Branch**
(United Kingdom)
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Fax: 087-425575
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Mr Miaw Siaw Loong

9 **BNP Paribas, Labuan Branch**
(France)
Tel: 087-422328
Fax: 087-419328
E-mail: khairuddin.mohdrawi@asia.bnpparibas.com

Mr Khairuddin Mohd Rawi

10 **Cathay United Bank, Labuan Branch**
(Taiwan)
Tel: 087-452168
Fax: 087-453678
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Mr Pan Chung-En

11 **CIMB Bank Berhad, Labuan Offshore Branch**
(Malaysia)
Tel : 087-410302
Fax: 087-410313
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Ms Jemima Haziz

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

12 CIMB Bank (L) Limited (Malaysia)
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Ms Jemima Haziz

13 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

14 Crédit Agricole Corporate and Investment Bank (France)
Tel: 087-408334
Fax: 087-408335
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Mr Chew Hoi Meng

15 Credit Suisse, Labuan Branch (Switzerland)
Tel: 087-425381
Fax: 087-425384
E-mail: alfred.lee@credit_suisse.com

Mr Lee Chee Meng

16 DBS Bank Ltd, Labuan Branch (Singapore)
Tel: 087-595500
Fax: 087-423376
E-mail: jeffreyling@dbs.com

Mr Jeffrey Ling Hee Keong

17 Deutsche Bank AG, Labuan Branch (Germany)
Tel: 087-439811
Fax: 087-439866
E-mail: raymond.yeoh@db.com

Mr Raymond Yeoh Cheng Seong

18 Fidelity Asia Bank Ltd (Ghana)
Tel: 087-431151
Fax: 087-431152
E-mail: eeffah@myfidelitybank.net

Mr Edward Oppong Effah

19 ING Bank N.V., Labuan Branch (Netherlands)
Tel: 087-425733
Fax: 087-425734
E-mail: milly.tan@asia.ing.com

Ms Milly Tan

20 JP Morgan Chase Bank N.A. (United States of America)
Tel: 087-424384
Fax: 087-424390
E-mail: alex.law@jpmorgan.com

Mr Alex Law Wei Heong

21 J.P. Morgan Malaysia Ltd (United States of America)
Tel: 087-424384
Fax: 087-451328
E-mail: alex.law@jpmorgan.com

Mr Alex Law Wei Heong

22 Kuwait Finance House (Labuan) Berhad (Kuwait)
Tel: 087-418777
Fax: 087-418666
E-mail: Azahari.abdulkudus@kfh.com.my

Mr Azahari Abd Kudus

23 Lloyds TSB Bank Plc, Labuan Branch (United Kingdom)
Tel: 087-418918
Fax: 087-411928
E-mail: labuan@lloydstsb.com.my

Mr Barry Francis Lea

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

24 **Maybank International (L) Ltd**
(Malaysia)
Tel: 087-414406
Fax: 087-414806
E-mail: jubely@maybank-intl.com

Mr Jubely Pa

25 **Mega International Commercial Bank Co., Ltd, Labuan Branch**
(Taiwan)
Tel: 087-581688
Fax: 087-581668
E-mail: icbc@streamy.com

Mr Chen, Chen-Hui

26 **Mizuho Corporate Bank Ltd., Labuan Branch**
(Japan)
Tel: 087-417766
Fax: 087-419766
E-mail: yuki.chikamoto@mizuho-cb.com

Mr Yuki Chikamoto

27 **Natixis, Labuan Branch**
(France)
Tel: 087-581009
Fax: 087-583009
E-mail: booneong.tan@ap.natixis.com

Mr Tan Boon Eong

28 **Nomura Bank International PLC, Labuan Branch**
(United Kingdom)
Tel: 087-451248
Fax: 087-451251
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Mr Philip Chow Wing Lun

29 **Oversea-Chinese Banking Corporation Limited, Labuan Branch**
(Singapore)
Tel: 087-423381
Fax: 087-423390
E-mail: leongwm@ocbc.com

Mr Leong Wai Mun

30 **Public Bank (L) Ltd**
(Malaysia)
Tel: 087-411898
Fax: 087-413220
E-mail: pb11@streamyx.com

Mr Alexander Wong

31 **Rabobank Nederland**
(Netherlands)
Tel: 087-451128
Fax: 087-452328
E-mail: clement.wong@rabobank.com

Mr Clement Wong

32 **Raiffeisen Bank International AG, Labuan Branch**
(Austria)
Tel: 087-419330
Fax: 087-419331
E-mail: lieleng.chan@my.rbinternational.com

Ms Chan Lie Leng

33 **RHB Bank (L) Ltd**
(Malaysia)
Tel: 087-417480
Fax: 087-417484
E-mail: rhbl@streamyx.com

Ms Toh Ay Leng

34 **Standard Chartered Bank Offshore, Labuan Branch**
(United Kingdom)
Tel: 087-417200
Fax: 087-417202
E-mail: John.Han@sc.com

Mr John Han Yun Leong

35 **Sumitomo Mitsui Banking Corporation, Labuan Branch**
(Japan)
Tel: 087-410955
Fax: 087-410959
E-mail: naoki_nakano@my.smbc.co.jp

Mr Naoki Nakano

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

36 The Bank of East Asia, Ltd, Labuan Offshore Branch
(Hong Kong)
Tel: 087-451145
Fax: 087-451148
E-mail: arraisag@hkbea.com

Mr Alvin Gerard Arrais

37 The Bank of Nova Scotia, Labuan Branch
(Canada)
Tel: 087-451101
Fax: 087-451099
E-mail: audrey.yap@scotiabank.com

Ms Audrey Yap Sui Lui

38 The Bank of Tokyo-Mitsubishi UFJ, Ltd., Labuan Branch
(Japan)
Tel: 087-410487
Fax: 087-410476
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Mr Jun Minamoto

39 The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit
(United Kingdom)
Tel: 087-419680
Fax: 087-417169
E-mail: leechoofoo@hsbc.com.my

Ms Foo Lee Choo

40 The Royal Bank of Scotland N.V. (Labuan) Branch
(Netherlands)
Tel: 087-423008
Fax: 087-421078
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Mr Alan Lee Sing

41 The Royal Bank of Scotland Plc, Labuan Branch
(Scotland)
Tel: 087-423008
Fax: 087-425078
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Mr Chin Chon Young

42 UBS AG, Labuan Branch
(Switzerland)
Tel: 087-421743
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Ms Zelie Ho Swee Lum

43 United Overseas Bank Limited, Labuan Branch
(Singapore)
Tel: 087-424388
Fax: 087-424389
E-mail: lai.takkong@uob.com.my

Mr Lai Tak Kong

Labuan Investment Banks (Country of Origin)

1 Al-Hidayah Investment Bank (Labuan) Ltd
(Malaysia)
Tel: 087-451660
Fax: 087-451662
E-mail: salim@alhidayahbank.com

Mr Salim Ahmad

2 AmanahRaya Investment Bank Ltd
(Malaysia)
Tel: 087-582011
Fax: 087-582013
E-mail: zanariah@arinvestmentbank.com

Ms Zanariah Ja'afar

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)
As at 15 May 2012

3 **Asia Development & Investment Bank Ltd (China)**
Tel: 087-411090
Fax: 087-411092
E-mail: adibank.china@gmail.com

Mr Lu Chang Chun

4 **Asian Trade Investment Bank Ltd. (Switzerland)**
Tel: 087-429805
Fax: 087-426803
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Mr Venugopalan Cherchattil

5 **Capital Investment Bank (Labuan) Limited (Malaysia)**
Tel: 087-581488
Fax: 087-583488
E-mail: megatmizan@kenanga.com.my

Mr Megat Mizan Nicholas Denney

6 **City Credit Investment Bank Limited (Hong Kong)**
Tel: 087-582268
Fax: 087-581268
E-mail: admin@cccapital.net

Dato' Abdul Rahman Abdullah

7 **ECM Libra Investment Bank Limited (Malaysia)**
Tel: 087-408525
Fax: 087-408527
E-mail: slchan@ecmlibra.com

Ms Chan Soon Lee

8 **European Credit Investment Bank Ltd. (Malaysia)**
Tel: 087-412886
Fax: 087-410886
E-mail: kokchee.kong@ecibl.com

Mr Kong Kok Chee

9 **First Islamic Investment Bank Ltd (Tajikistan)**
Tel: 087-417050
Fax: 087-427050
E-mail: Ishammudin@fiib.com.my

Mr Ishammudin Mansor

10 **Goldman Sachs (Labuan) Investment Bank Limited (United States of America)**
Tel: 087-426081
Fax: 087-426080
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Ms Jane Maund

11 **IBH Investment Bank Limited (Malaysia)**
Tel: 087-410730
Fax: 087-410732
E-mail: howard@ibhinvestmentbank.com

Dato' Choo Kah Hoe

12 **Middle East Investment Bank Ltd (United Arab Emirates)**
Tel: 087-411100
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Mr Mohsen Hosseini Hossein Pour

13 **Morgan Stanley Labuan Investment Bank Limited (Singapore)**
Tel: 087-423828
Fax: 087-423878
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Ms Kate G. Richdale

14 **OSK Investment Bank (Labuan) Limited (Malaysia)**
Tel: 087-414801
Fax: 087-414802
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Mr Koh Wai Chee

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

15 **PG Asia Investment Bank Ltd**
(Ghana)
Tel: 087-416160
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E-mail: fayezhaider@ibcgcc.com

Mr Fayez Haider Hassan Ali

16 **RUSD Investment Bank Inc.**
(Saudi Arabia)
Tel: 087-452100
Fax: 087-453100
E-mail: labuan@rusdbank.com

Mr Naseeruddin A. Khan

Reinsurers (Country of Origin)

1 **ACE Tempest Reinsurance Ltd.**
(Bermuda)
Tel: 087-442899
Fax: 087-451899
E-mail: mumtaz.ali@acegroup.com

Mr Mumtaz Farzand Ali

2 **Al Fajer Retakaful Insurance Company K.S.C.C (Labuan Branch)**
(Kuwait)
Tel: 087-442899
Fax: 087-451899
E-mail: emelvin@alfajarre.com

Mr Edward Charles Melvin

3 **Allianz SE General Reinsurance Branch Labuan**
(Germany)
Tel: 087-442899
Fax: 087-451899
E-mail: Janet.truong@allianzre.com.sg

Ms Janet Truong

4 **Allianz SE Life Reinsurance Branch Labuan**
(Germany)
Tel: 087-442899
Fax: 087-451899
E-mail: Chong.koh@allianzre.com.sg

Mr Chong Koh Wil

5 **Allied World Assurance Company, Ltd (Labuan Branch)**
(Bermuda)
Tel: 087-417672
Fax: 087-417675
Email: bruce.ford@awac.com

Mr Bruce Matthew Ford

6 **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

7 **BEST RE (L) Limited**
(Malaysia)
Tel: 087-451600
Fax: 087-452600
E-mail: rkarray@bestre-family.com.my

Mr Riadh Karray

8 **BEST RE Family (L) Limited**
(Malaysia)
Tel: 087-451600
Fax: 087-452600
E-mail: rkarray@bestre-family.com.my

Mr Riadh Karray

9 **C.C.R., Labuan Branch**
(France)
Tel: 087-417672
Fax: 087-417675
E-mail: mhannebert@ccr.fr

Mr Marc, Paul, Michel HANNEBERT

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

10 **FM Insurance Company Limited, Labuan Branch**
(United Kingdom)
Tel: 087-442899
Fax: 087-451899
E-mail: peter.madeley@fmgglobal.com

Mr Peter Charles Madeley

11 **General Insurance Corporation of India, Labuan Branch**
(India)
Tel: 087-427018
Fax: 087-429018
E-mail: charles@gicofindia.com

Mr Charles Gunaraj Asirvatham

12 **General Reinsurance, Labuan Branch**
(Germany)
Tel: 087-417672
Fax: 087-417675
E-mail: fmciner@genre.com

Mr Frank Matthew McInerney

13 **General Reinsurance, Labuan Branch (Life/Health)**
(Germany)
Tel: 087-417672
Fax: 087-417675
E-mail: fmciner@genre.com

Mr Frank Matthew McInerney

14 **IAG Re Labuan (L) Berhad**
(Australia)
Tel: 087-442899
Fax: 087-451899
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Mr Marcus John Taylor

15 **International General Insurance Company Ltd, Labuan Branch**
(Bermuda)
Tel: 087-426829
Fax: 087-426830
E-mail: wsj@iginsure.com

Mr Wasef S. Jabsheh

16 **Kuwait Reinsurance Company - Far East Regional Office**
(Kuwait)
Tel: 087-442899
Fax: 087-451899
E-mail: zabidi@kuwaitre-my.com

Mr Ahmad Zabidi Ismail

17 **Labuan Reinsurance (L) Ltd**
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Tel: 087-452886
Fax: 087-425070
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Mr Mohammad Rais Abu Noh

18 **Mitsui Sumitomo Insurance Co., Ltd.**
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Tel: 087-452748
Fax: 087-452750
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Mr Kurao Onouchi

19 **Mitsui Sumitomo Reinsurance Limited**
(Ireland)
Tel: 087-452748
Fax: 087-452750
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Mr Takashi Tsuchiya

20 **Paris Re Asia Pte. Ltd. (Labuan Branch)**
(Singapore)
Tel: 087-427018
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E-mail: daniel.lim@paris-re.com

Mr Daniel Lim Teck Choon

21 **Partner Reinsurance Company Ltd.**
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Mr Emil Bergundthal

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

22 **RGA Global Reinsurance Company Ltd, Labuan Branch (United States of America)**
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E-mail: ptan@hk.rgare.com

Mr Peter Tan Hock Hwee

23 **Royal & Sun Alliance Insurance plc, Labuan Branch (United Kingdom)**
Tel: 087-442899
Fax: 087-451899
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Mr Michael Stephen Spencer

24 **SCOR Global Life SE, Labuan Branch (France)**
Tel: 087-417672
Fax: 087-417675
E-mail: lyew@scor.com

Mr Lawrence Yew

25 **SCOR Reinsurance Asia-Pacific Pte Ltd, Labuan Branch (Singapore)**
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E-mail: kliu@scor.com

Mr Liu Kim Hock

26 **Singapore Reinsurance Corporation Limited (Singapore)**
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Fax: 087-417675
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Ms Theresa Wee Sui Ling

27 **Sirius International Insurance Corporation (publ), Labuan Branch (Sweden)**
Tel: 087-417672
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Mr Yap Song Kng

28 **Sompo Japan Insurance Inc. Labuan Branch (Japan)**
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Mr Yoshinori Hashimura

29 **Taiping Reinsurance Co., Ltd., Labuan Branch (Hong Kong)**
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Mr Ng Wo Chung

30 **Takaful Re Limited, Labuan Branch (United Arab Emirates)**
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E-mail: Abouzaid.C@Takaful-Re.ae

Mr Mohammed Chakib Abouzaid

31 **Tokio Marine Global Re Limited (Ireland)**
Tel: 087-583001
Fax: 087-583002
E-mail: keith.maruyama@tmgre.com

Mr Keiichi Maruyama

32 **Trust International Insurance and Reinsurance Co. B.S.C. (C) Trust Re, Labuan (Bahrain)**
Tel: 087-428981
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E-mail: selastina@trustgroup.net.bh

Mr Selastin Anthoniappan

33 **Tune Money GenRe Ltd. (Malaysia)**
Tel: 087-417672
Fax: 087-417675
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Mr Peter Dixon Miller

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

34 **Tune Money Life Re Ltd.**
(Malaysia)
Tel: 087-417672
Fax: 087-417675
E-mail: peter.miller@tunemoney.com

Mr Peter Dixon Miller

35 **Virginia Surety Company, Labuan Branch**
(United States of America)
Tel: 087-442899
Fax: 087-451899
E-mail: david.sulfridge@us.thewg.com

Mr David Lee Sulfridge

36 **XL Re Ltd Labuan**
(Bermuda)
Tel: 087-442899
Fax: 087-451899
E-mail: ann.chua@xlgroup.com

Ms Chua Lee Li

General Insurers
(Country of Origin)

1 **Etiqa Offshore Insurance (L) Ltd**
(Malaysia)
Tel: 087-417672
Fax: 087-417675
E-mail: nazriw.a@etiqa.com.my

Mr Nazri Wong Abdullah

2 **Federal Insurance Company, Labuan Branch**
(United States of America)
Tel: 087-417672
Fax: 087-417675
E-mail: sblasina@chubb.com

Mr Stephen Julian Blasina

3 **HIH Casualty and General Insurance (Labuan) Limited**
(Australia)
Tel: 03-77213388
Fax: 03-77217699

KPMG

4 **Liberty Mutual Insurance Europe Limited, Labuan Branch**
(United Kingdom)
Tel: 087-429799
Fax: 087-429788
E-mail: andrew.so@libertyiu.com

Mr Andrew Soh Jo Han

5 **Ocean Pacific Insurance and Reinsurance Company Ltd**
(British Virgin Islands)
Tel: 087-583816
Fax: 087-583814
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Mr Alexander Vladimirovich Zubrilin

6 **PT. Asuransi Jasa Indonesia, Labuan Branch**
(Indonesia)
Tel: 087-417672
Fax: 087-417675
E-mail: erwin.noekman@jasindonet.com

Mr Erwin Hanapi Noekman

7 **Swiss National Insurance Company (Labuan Branch) Ltd**
(Switzerland)
Tel: 087-442899
Fax: 087-451899
E-mail: phekchoo.cheah@nationalesuisse.com.my

Ms Cheah Phek Choo

8 **XL Insurance Company Limited**
(Labuan Branch)
(United Kingdom)
Tel: 087-442899
Fax: 087-451899
E-mail: andrew.vigar@xlgroup.com

Mr Andrew Vigar

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

Life Insurers (Country of Origin)

1 **Etiqa Life International (L) Ltd**
(Malaysia)
Tel: 087-582588
Fax: 087-583588
E-mail: nazriw.a@etiqa.com.my

Mr Nazri Wong Abdullah

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

3 **Investors Trust Assurance SPC, Labuan Branch**
(Cayman Islands)
Tel: 087-582588
Fax: 087-583588
Email: mrodriguez@investors-trust.com

Ms Marteena Renee Rodriguez

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 Tajudin

2 **MAA International Assurance Ltd**
(Malaysia)
Tel: 087-422007
Fax: 087-422008
E-mail: tkyeo@maa.my

Mr Yeo Took Keat

Captives (Country of Origin)

1 **AirAsia Corporate Services Limited**
(Malaysia)
Tel: 087-442899
Fax: 087-451899
Email: mustaffaramly@airasia.com

Mr Rozman Omar

2 **Advance International Insurance Limited**
(British Virgin Islands)
Tel: 087-416122
Fax: 087-416128
E-mail: heiwong@nova-insure.com

Mr Wong Hei

3 **AKT Co., Ltd.**
(Japan)
Tel: 087-427018
Fax: 087-429018
E-mail: t_miyake@fournine.co.jp

Mr Takaharu Miyake

4 **Asian Forum Inc**
(Indonesia)
Tel: 087-417672
Fax: 087-417675
E-mail: erwin.noekman@jasindonet.com

Ms Erwin Hanapi Noekman

5 **AWCK International Insurance Company Limited**
(Hong Kong)
Tel: 087-427018
Fax: 087-429018
E-mail: dw1668@hkstar.com

Mr Dickson Lai Hong Yu

6 **BGC Insurance (L) Limited**
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Mr Stephen Robertson

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

7 **BIB Asia (L) Berhad**
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Ms Mun Peck Yee

8 **Blakford Insurance Ltd.**
(Malaysia)
Tel: 087-427018
Fax: 087-429018
E-mail: jos-kw@tm.net.my

Mr Wong Kee Choon

9 **Byrnecut Insurance Malaysia Ltd**
(British Virgin Islands)
Tel: 087-442899
Fax: 087-451899
Email: stuart.herbert@marsh.com

Mr Stuart Sidney Herbert

10 **Challenge Group Underwriters & Managers (L) Inc**
(Malaysia)
Tel: 087-583816
Fax: 087-583814
E-mail: f.aripen@challenge-gi.com

Mr Ahmed Farouk Aripen

11 **Delima Insurance (Labuan) Ltd**
(Malaysia)
Tel: 087-417672
Fax: 087-417675
Email: snazriah@malaysiaairlines.com

Ms Sharifah Nazriah binti Sayed Mahadi

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13 **Integrated Agents Trust Ltd.**
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Mr Colin Paul Seah

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Mr Saharani Kassim

17 **Labuan INS International Trust Ltd**
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Ms Normala Mat Som

18 **Law & Commerce Trust Limited**
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Mr Ahmad Kamil Mohd Yusop

Appendices

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

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Mr Jubely Pa

20 **Noblehouse International Trust Ltd.**
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Datuk Chin Chee Kee JP

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Mr Stefan Jacques Francis Cnoops

22 **PB Trust (L) Ltd**
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Mr Fabian Teo Hock Chye

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Ms Siti Hawa Saat

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Mr Raymond Wong Wai Bun

29 **Tricor Trustco (Labuan) Ltd.**
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LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

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Mr Ahmad Kamil Mohd Yusop

2 **TMF Funds Services Asia Limited (formerly known as EQ Funds Services (Asia) Limited)**
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Ms Emily Liew Fui Lin

3 **TMF Management Limited (formerly known as EQ Management and Consultancy Limited)**
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Ms Emily Liew Fui Lin

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Mr Rashdan Ibrahim

3 **Avenue Asset Management Services (L) Ltd (Malaysia)**
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Mr Lye Thim Loong

4 **Balanced Capital Inc. (Malaysia / Japan)**
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Mr Katsuhiko Abe

5 **Better Place Strategic Investment Ltd. (Japan)**
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Mr Kentaro Takata

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Mr Clement Tung Sun Tat

7 **Fulton Capital Management Ltd (Singapore)**
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LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)
As at 15 May 2012

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Mr Moritz Gubler

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Mr Raymond Wong Wai Bun

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Mr Steve Shaiful Hamidi Basirdin

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1 **B.B Energy Malaysia Ltd.**
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Mr Kuan Chee Hong

2 **CardPay Asia Inc.**
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Mr Kirill Evstratov

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Mr Toh Chee Seng

5 **Interlink Co. Ltd**
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Mr Meigetsu Miyashiro

6 **MonexPro S.A.**
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Mr Charles Villeneuve

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Mr Murali Haran

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Datin Nooraiskin Ibrahim

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Mr Joseph Chan Kai Chung

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

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Mr Akira Kimishima

11 **Vitol Trading Malaysia Labuan Ltd (United Arab Emirates)**
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Mr Khairul Razman Ramly

12 **Westsun Investment Company Ltd (United Arab Emirates)**
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Mr Nasser Ghazian

13 **YTL Power Trading (Labuan) Ltd (Malaysia)**
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Mr Ho Say Keng

Labuan Associations

1 **Association of Labuan Banks**
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Fax: 087-452779
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Chairman: Ms Foo Lee Choo
Secretary: Ms Clara Lim Ai Cheng

2 **Association of Labuan Trust Companies**
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Chairman: Mr Colin Paul Seah

3 **Labuan International Insurance Association**
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Chairman: Dato' Ahmad Farouk Faizi
Secretary: Mr Gary Cane

4 **Labuan Investment Banks Group**
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Chairman: Dato' Choo Kah Hoe
Secretary: Ms Zanariah Ja'afar

Labuan International Financial Exchange

1 **Labuan International Financial Exchange Inc**
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Mr Bonis Samid

LISTINGS OF LABUAN FINANCIAL INSTITUTIONS (cont'd)

As at 15 May 2012

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Ms Jemima Haziz

3 **ECM-Libra Investment Bank Berhad**
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Ms Azlin Arshad

4 **TMF Funds Services Asia Limited (formerly known as EQ Funds Services (Asia) Limited)**
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Ms Emily Liew

5 **Maybank Investment Bank Berhad**
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Mr Lee Jiann Liang

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Mr Koh Wai Chee

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Ms Jemima Haziz

FEES FOR SETTING-UP BUSINESS IN LABUAN IBFC

Labuan Companies (General Fees)	RM	USD
Reservation of Name of a Labuan Company (One time)	50	16
Supporting Documents Required to set-up a Labuan Company:		
a) Memorandum and Articles (Labuan Company)	100	32
b) Memorandum and Articles (Foreign Labuan Company)	200	64
c) Statutory declaration of compliance	Nil	Nil

Type of Companies / Type of Fees	Processing/ Lodgment/ Registration Fees		Annual Fees	
	RM	USD	RM	USD
Type of Companies / Type of Fees				
A) Labuan Company				
i) Labuan Company				
a) Paid-up Capital of RM0 - RM50,000	1,000	322	1,500	483
b) Paid up Capital of RM50,001 to RM999,999	2,000	645	1,500	483
c) Paid-up Capital of RM1 million and above	5,000	1,612	1,500	483
ii) Labuan Foreign Company	6,000	1,935	5,300	1,865
iii) Labuan Partnership				
a) Labuan Limited Partnership, Labuan Limited Liability Partnership and Recognized Liability Partnership	1,000	322		
b) Labuan Limited Partnership / Labuan Limited Liability Partnership			1,000	322
iv) Labuan Protected Cell Company (PCC)				
a) Labuan protected cell company registered under Part VIIIB of Labuan Companies Act 1990: to carry on insurance business or Labuan captive insurance business				
- On the general assets of the Labuan PCC			30,000	9,677
- On each of its registered cell			10,000	3,225
b) Labuan protected cell registered under Part VIIIB of Labuan Companies Act 1990: to carry on mutual fund business				
- On the general assets of the Labuan PCC			5,000	1,612
- On each of its registered cell			2,000	645
B) Service Providers				
a) Approved auditor	150	48	1,000	322
b) Approved liquidator	1,050	339	*1,000	*322

Appendices

FEES FOR SETTING-UP BUSINESS IN LABUAN IBFC (cont'd)

Type of Companies / Type of Fees	Processing/ Lodgment/ Registration Fees		Annual Fees	
	RM	USD	RM	USD
Type of Companies /Type of Fees				
C) Labuan Products				
a) Labuan Trust / Special Trust	750	241	50*	16*
b) Labuan Foundation	750	241	750	241
D) Labuan Bank				
Labuan Bank / Labuan Investment Bank			80,000	25,806
E) Labuan Insurance and Insurance-Related				
i) Labuan Insurance Activities				
a) General Insurance			30,000	9,677
b) Life Insurance			30,000	9,677
c) Captive Insurance			10,000	3,225
d) Master rent-a-captive			13,000	4,193
e) Subsidiary rent-a-captive			3,000	967
ii) Labuan Insurance-Related Activities				
a) Underwriting Manager			10,000	3,225
b) Insurance Manager			10,000	3,225
c) Insurance Broker			10,000	3,225
F) Labuan Trust Company				
a) Labuan Trust Company	250	80	8,000	2,580
b) Labuan Managed Trust Company	250	80	8,000	2,580
c) Labuan Private Trust Company	200	64	5,000	1,612
G) Securities				
i) Private fund	2,000	645		
ii) Public fund	2,000	645	2,000	645
iii) Fund Manager	100	32		
a) Without place of business in Labuan			10,000	3,225
b) With place of business in Labuan			5,000	1,612
iv) Fund Administrator	100	32		
a) Without place of business in Labuan			5,000	1,612
b) With place of business in Labuan			2,000	645
v) Securities Licensees			5,000	1,612

FEES FOR SETTING-UP BUSINESS IN LABUAN IBFC (cont'd)

Type of Companies / Type of Fees	Processing/ Lodgment/ Registration Fees		Annual Fees	
	RM	USD	RM	USD
Type of Companies / Type of Fees				
H) Labuan Financial Business				
i) Leasing				
a) Single transaction with a Malaysian resident			40,000	12,903
b) Subsequent transaction with a Malaysian resident			20,000	6,451
c) Leasing business / subsequent transaction transacted with non-Malaysian resident			Nil	Nil
ii) Factoring Business				
a) Without physical presence in Labuan			60,000	19,354
b) With physical presence in Labuan			40,000	12,903
iii) Building Credit Business			40,000	12,903
iv) Credit Token Business			40,000	12,903
v) Development Finance Business			40,000	12,903
vi) Money-broking Business			5,000	1,612
I) Labuan Company Management			5,000	1,612
J) Others				
a) Establishment of Kuala Lumpur / Johor Bahru Marketing Office			5,000	1,612
b) Establishment of Co-Located office within Malaysia apart from Labuan			7,000	2,258

Notes:

* To be paid upon renewal of registration.

The exchange rate for USD/RM is 1:3.1 and may change subject to fluctuations of the exchange rate.

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