Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited interim financial statements for the third quarter ended 30 September 2008 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading securities and available-for-sale securities.

The unaudited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 31 December 2007. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial performance of the Group and the Bank since the year ended 31 December 2007.
The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2007.

BNM has granted indulgence to the Bank and other local banks in Malaysia from complying with the requirements on the impairment of loans under the revised 'Guildeline on Financial Reporting for Licensed Institutions' ("BNM/GP8"). Under the revised BNM/GP8, the impaired loans have to be measured at their estimated recoverable amount. This requirement is principally similar to the requirements under FRS 139 - Financial Instruments: Recognition and Measurement. In view of the deferment of the implementation of FRS 139 in Malaysia, the banking subsidiaries and other local banks in Malaysia will be deemed to be in compliance with the requirement on the impairment of loans under the revised BNM/GP8 if the allowance for non-performing loans, advances and financing is computed based on BNM's guildelines on the 'Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts' ("BNM/GP3") requirements.

The preparation of financial statements in conformity with Financial Reporting Standards and Bank Negara Malaysia Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

A2. Dividends

There was no dividends paid or proposed during the financial period.

A3. Performance Review

The Group made a profit after tax of RM 3.9 million for the nine months period ended 30 September 2008. The profit for the period was mainly due to lower loan loss provisions and write back of allowance for impairment on securities.

A4. Prospects for the Current Financial Year

The Bank had entered into a conditional agreement on 13 June 2008 with HLG Credit Sdn Bhd (HLGC) to dispose of certain assets and liabilities to HLGC. Barring any unforeseen circumtances, the proposed disposal of these assets and liabilities is expected to be completed by the fourth quarter of this year. Following the completion of the Proposed Disposal, the Bank will cease banking business.

A5. Securities held-for-trading

	Group and Bank	
	30 Sep 2008	**31 Dec 2007**
	RM ' 000	**RM ' 000**
Quoted securities in Malaysia at fair value:		
Shares	**32**	71
Warrants	**8**	35
Private debt securities (including loan stocks, bonds, notes etc)	**1,680**	2,119
	1,720	2,225

A6. Securities available-for-sale

Details of available-for-sale securities are as follows:

Money market instruments at fair value:		
Malaysian government securities	**10,022**	10,098
Bank Negara Monetary Notes	**-**	9,947
Bankers acceptances	**5,374**	-
	15,396	20,045
Unquoted securities at fair value:		
Private debt securities (including loan stocks, bonds, notes etc)	**14,671**	19,672
	30,067	39,717

A7. Held-to-maturity investments

	Group and Bank	
	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000
Details of held-to-maturity investments are as follows:		
Unquoted securities in Malaysia		
Private debt securities at cost	**34,635**	36,694
Shares at cost	**270**	270
	34,905	36,964
Less: Allowance for impairment loss on private debt securities	**(24,816)**	(25,963)
	10,089	11,001

A8. Loans and advances

(i) By type		
Term loans	**23,684**	26,661
Staff loans [RM Nil to Directors]	**618**	774
Gross loans and advances	**24,302**	27,435
Allowance for bad and doubtful debts:		
- Specific allowance	**(6,649)**	(6,193)
- General allowance	**(1,027)**	(1,297)
Net loans and advances	**16,626**	19,945
(ii) By type of customers		
Domestic non-bank financial institutions		
- Others	**749**	1,566
Domestic business enterprises		
- Others	**22,935**	25,095
Individuals	**618**	774
	-	-
Gross loans and advances	**24,302**	27,435
(iii) By interest/profit rate sensitivity		
Fixed rate	**618**	774
Housing loans	**606**	745
Other fixed rate loan	**12**	29
Variable rate	**23,684**	26,661
Cost-plus	**23,684**	26,661
Other variable rates	**-**	-
Gross loans and advances	**24,302**	27,435
(iv) By economic purposes		
Working capital	**23,684**	26,661
Purchase of residential property	**606**	745
Purchase of transport vehicles	**11**	27
Purchase of consumer durables	**1**	2
Gross loans and advances	**24,302**	27,435
(v) Non-performing loan by economic purposes		
Working capital	**23,684**	26,661
Gross non-performing loans and advances	**23,684**	26,661
(vi) Movements in the non-performing loans and advances:		
At beginning of the year	**26,661**	35,850
Non-performing during the period/year	**-**	8,041
Loans converted to securities	**-**	(1,849)
Recoveries	**(2,161)**	(7,415)
Amount written off	**(816)**	(7,966)
Reclassification adjustments	**-**	-
Closing balance	**23,684**	26,661
Specific allowance	**(6,649)**	(6,193)
Net non-performing loans and advances	**17,035**	20,468
Ratio of net non-performing loans and advances (*) to net loans and advances	**96.50%**	96.36%

(*) excluding amount classified as non-current assets held for sale of RM42,769,000 (2007: RM55,078,000)

(ii) Breakdown of gross non-performing loans & advances		
Substandard	**8,334**	9,481
Doubtful	**-**	-
Bad	**15,350**	17,180
	23,684	26,661

A8. Loans and advances (cont'd)

	Group and Bank	
	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000
(vii) Movements in the allowance for bad and doubtful debts are as follows:		
General allowance		
At beginning of the year	**1,297**	1,302
Amount written back to income statement	**(270)**	(5)
Reclassified to non-current assets held for sale	**-**	-
Closing balance	**1,027**	1,297
As % of gross loans and advances (*) less specific allowance	**5.8**	6.1

(*) excluding amount classified as non-current assets held for sale of RM42,769,000 (2007: RM55,078,000)

Specific allowance		
At beginning of the year	**6,193**	16,869
Allowance made during the period/year	**1,275**	6,295
Amount transferred in respect of loans-to-debt conversion	**-**	(1,849)
Amount written back to income statement	**(3)**	(7,156)
Amount written off	**(816)**	(7,966)
Reclassification	-	-
Closing balance	**6,649**	6,193

A9. Other Assets

	Group		Bank	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Interest receivable	**314**	503	**314**	503
Other receivables, deposits and prepayments	**506**	621	**506**	620
	820	1,124	**820**	1,123

A10. Non-current assets and liabilities directly associated with non-currents assets classified as held-for-sale

	Group and Bank	
	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000
(a) Non-current assets held-for-sale		
Loans and advances	**42,769**	55,078
Property, plant and equipment	**43**	70
Intangible assets	**124**	182
	42,936	55,330
(b) Liabilities directly associated with non-current assets classified as held-for-sale		
Deposits from customers	**4,268**	12,448
Deposits and placement of banks and other financial institutions	**54,281**	41,614
Interest payable	**248**	205
	58,797	54,267

(c) Analysis of the results of discontinuing operations

Group and Bank	3rd Quarter ended		Nine months ended	
	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Interest income	**973**	1,031	**3,103**	3,191
Interest expense	**(438)**	(457)	**(1,392)**	(1,436)
Net interest income	**535**	574	**1,711**	1,755
Other operating income	**49**	74	**157**	196
	584	648	**1,868**	1,951
Other operating expenses	**(635)**	(763)	**(1,775)**	(2,024)
Profit before taxation	**(51)**	(115)	**93**	(73)
Taxation	**-**	-	**-**	-
Net profit after taxation	**(51)**	(115)	**93**	(73)

A11. Deposits and placement of banks and other financial institutions

	Group and Bank	
	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000
Licensed banks	**60,000**	45,300

A12. Other liabilities

	Group		Bank	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Interest payable	**26**	67	**26**	67
Others	**1,538**	2,827	**1,528**	2,805
	1,564	2,894	**1,554**	2,872

A13. Interest Income

	3rd Quarter ended		Nine months ended	
	30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
Group	RM ' 000	RM ' 000	RM ' 000	RM ' 000
Loans and advances	**96**	206	**709**	903
- Interest income other than recoveries from NPLs	**6**	9	**20**	383
- Recoveries from NPLs	**90**	197	**689**	520
Money at call and deposit placements with financial institutions	**843**	980	**2,043**	4,296
Held-to-maturity investments	**47**	501	**883**	556
Available-for-sale securities	**262**	899	**853**	2,817
Others	**-**	-	**-**	1
	1,248	2,586	**4,488**	8,573
Accretion of discount less amortisation of premium	**75**	(177)	**219**	(522)
Interest clawback	**-**	-	**-**	(352)
	1,323	2,409	**4,707**	7,699
Bank				
Loans and advances	**96**	206	**709**	903
- Interest income other than recoveries from NPLs	**6**	9	**20**	383
- Recoveries from NPLs	**90**	197	**689**	520
Money at call and deposit placements with financial institutions	**843**	979	**2,043**	4,292
Held-to-maturity investments	**47**	501	**883**	556
Available-for-sale securities	**262**	899	**853**	2,817
Others	**-**	-	**-**	1
	1,248	2,585	**4,488**	8,569
Accretion of discount less amortisation of premium	**75**	(177)	**219**	(522)
Interest clawback	**-**	-	**-**	(352)
	1,323	2,408	**4,707**	7,695

A14. Interest Expense

Group and Bank

Deposits and placements of banks and other financial institutions	**699**	1,355	**1,734**	5,611
Obligation on securities sold under repurchase agreements	**-**	4	**-**	67
	699	1,359	**1,734**	5,678

A15. Other Operating Income

		3rd Quarter ended		Nine months ended	
		30 Sep 2008	30 Sep 2007	30 Sep 2008	30 Sep 2007
	Group	RM ' 000	RM ' 000	RM ' 000	RM ' 000
a)	Fee income:				
	Corporate advisory fees	**3**	24	**14**	327
	Brokerage income	**9**	148	**156**	518
	Portfolio management fees	**323**	370	**1,078**	1,091
	Other fee income	**21**	64	**72**	123
		356	606	**1,320**	2,059
b)	Net trading income:				
	Gain/(loss) arising from trading in securities held-for-trading:	**(315)**	702	**(504)**	3,665
	- realised gain/(loss)	**-**	2	**-**	323
	- unrealised gain/(loss)	**(315)**	700	**(504)**	3,342
c)	Gain/(loss) arising from held-to-maturity investments:				
	Net gain/(loss) from sale of held-to-maturity investments	**-**	-	**-**	566
		-	-	**-**	566
d)	Gross dividend income from:				
	Securities quoted in Malaysia				
	Securities held-for-trading	**-**	-	**-**	7
	Unquoted securities:				
	Held-to-maturity investments	**34**	-	**42**	53
		34	-	**42**	60
e)	Other income:				
	Gain on disposal of property, plant and equipment	**-**	32	**-**	91
	Gain on disposal of foreclosed properties	**-**	12	**-**	12
	Other operating income	**(38)**	5	**(38)**	24
		(38)	49	**(38)**	127
		37	1,357	**820**	6,477
	Bank				
a)	Fee income:				
	Corporate advisory fees	**3**	24	**14**	327
	Brokerage income	**9**	148	**156**	518
	Portfolio management fees	**323**	370	**1,078**	1,091
	Other fee income	**20**	62	**61**	106
		355	604	**1,309**	2,042
b)	Net trading income:				
	Gain/(loss) arising from trading in securities held-for-trading:	**(315)**	702	**(504)**	3,665
	- realised gain/(loss)	**-**	2	**-**	323
	- unrealised gain/(loss)	**(315)**	700	**(504)**	3,342
c)	Gain/(loss) arising from held-to-maturity investments:				
	Net gain/(loss) from sale of held-to-maturity investments	**-**	-	**-**	566
		-	-	**-**	566
d)	Gross dividend income from:				
	Securities quoted in Malaysia				
	Securities held-for-trading	**-**	-	**-**	7
	Unquoted securities:				
	Held-to-maturity investments	**34**	-	**42**	53
	Subsidiary companies	**-**	245	**-**	245
		34	245	**42**	305
e)	Other income:				
	Gain on disposal of property, plant and equipment	**-**	32	**-**	91
	Gain on disposal of foreclosed properties	**-**	12	**-**	12
	Other operating income	**(38)**	5	**(38)**	24
		(38)	49	**(38)**	127
		36	**1,600**	**809**	**6,705**

A16. Other Operating Expenses

Group	3rd Quarter ended 30 Sep 2008 RM ' 000	3rd Quarter ended 30 Sep 2007 RM ' 000	Nine months ended 30 Sep 2008 RM ' 000	Nine months ended 30 Sep 2007 RM ' 000
Personnel costs	**319**	608	**1,238**	2,346
Salaries and wages	**276**	292	**829**	1,437
Allowance and bonuses	**(48)**	155	**105**	399
Employers' contribution to EPF & Socso / Other retirement plans	**35**	12	**147**	215
Others	**56**	149	**157**	295
Establishment costs	**125**	116	**376**	992
Rental of premises	**52**	43	**148**	445
Others	**73**	73	**228**	547
Marketing expenses	**1**	2	**2**	4
Entertainment and business improvements	**1**	-	**1**	1
Others	**-**	2	**1**	3
Administration and general expenses	**150**	242	**808**	883
Legal & Professional fees	**32**	14	**417**	260
Non-executive directors remuneration	**55**	64	**173**	150
Reuters & other information charge	**30**	32	**76**	106
Others	**33**	132	**142**	367
	595	968	**2,424**	4,225

Bank				
Personnel costs	**319**	608	**1,238**	2,345
Salaries and wages	**276**	292	**829**	1,437
Allowance and bonuses	**(48)**	155	**105**	399
Employers' contribution to EPF & Socso / Other retirement plans	**35**	12	**147**	215
Others	**56**	149	**157**	294
Establishment costs	**125**	116	**376**	992
Rental of premises	**52**	43	**148**	445
Others	**73**	73	**228**	547
Marketing expenses	**1**	2	**2**	4
Entertainment and business improvements	**1**	-	**1**	1
Others	**-**	2	**1**	3
Administration and general expenses	**149**	242	**801**	877
Legal & Professional fees	**32**	14	**417**	260
Non-executive directors remuneration	**55**	64	**173**	150
Reuters & other information charge	**30**	32	**76**	106
Others	**32**	132	**135**	361
	594	968	**2,417**	4,218

A17. Allowance for Losses on Loans, Advances and Financing

Group and Bank

Allowance for bad and doubtful debts:				
Specific allowance				
- Made in the financial period	**-**	1,228	**1,275**	5,415
- Written back	**-**	(2,651)	**(3)**	(2,807)
General allowance (net)				
- Written back in the financial period	**(224)**	(21)	**(270)**	(183)
Bad debts on loans and financing:				
- Recovered	**(2,426)**	(77)	**(2,613)**	(109)
	(2,650)	(1,521)	**(1,611)**	2,316

A18. Commitment and Contingencies

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

Risk Weighted Exposures of the Group and Bank as at:

	30 Sep 2008			31 Dec 2007		
	Principal Amount RM ' 000	**Credit Equivalent RM ' 000**	**Risk Weighted Amount RM ' 000**	Principal Amount RM ' 000	Credit Equivalent RM ' 000	Risk Weighted Amount RM ' 000
Certain transaction related contingent items	**16,816**	**8,408**	**8,408**	17,406	8,703	8,703
Irrevocable commitment to extend credit						
- maturity less than 1 year	**3,323**	**-**	**-**	323	-	-
	20,139	**8,408**	**8,408**	17,729	8,703	8,703

A19. Capital Adequacy Ratio

The capital adequacy ratios of the Bank's banking operations are as follows:

	30 Sep 2008 RM ' 000	31 Dec 2007 RM ' 000
Ratios		
Core capital ratio	**72.07%**	58.57%
Risk-weighted capital ratio	**73.07%**	59.60%
Components of Tier I and Tier II capital:		
Tier I capital		
Paid-up capital	**77,900**	77,900
Other reserves:		
Statutory reserve	**43,846**	43,846
Accumulated loss	**(41,801)**	(41,801)
	79,945	79,945
Deferred tax assets	**(6,869)**	(6,869)
Total Tier I capital	**73,076**	73,076
Tier II capital		
General allowance for bad and doubtful debts and financing	**1,027**	1,297
Total capital	**74,103**	74,373
Less: Investments in subsidiary companies	**(10)**	(10)
Capital base	**74,093**	74,363

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

	30 Sep 2008		31 Dec 2007	
	Principal RM'000	**Risk Weighted RM'000**	Principal RM'000	Risk Weighted RM'000
0%	**101,091**	**-**	54,382	-
10%	**-**	**-**	-	-
20%	**11,279**	**2,256**	10,678	2,136
50%	**17,422**	**8,711**	18,151	9,075
100%	**86,989**	**86,989**	109,114	109,114
Credit risk	**216,781**	**97,956**	192,325	120,325
Market risk	**1,720**	**3,440**	2,225	4,450
Total	**218,501**	**101,396**	194,550	124,775