

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

		(Restated)
	As at	As at
Note	30/6/2008	31/12/2007
	RM'000	RM'000
ASSETS		
Cash and short-term funds		
- General accounts	181,997	319,002
- Segregated accounts	557,970	615,485
Deposits and placements with banks and other financial institutions	1,055,880	476,330
Securities portfolio		
Securities held-for-trading	A7(a) 80,810	142,244
Securities held-to-maturity	A7(b) 160,989	111,122
Securities available-for-sale	A7(c) 1,610,112	1,204,319
Derivative financial assets	2,643	134,429
Loans, advances and financing	A8 1,117,419	1,200,007
Land held for property development	306,519	296,833
Property development costs	91,331	81,804
Accrued billings	8,267	11,974
Other assets	A9 2,068,501	3,116,421
Statutory deposits with Bank Negara Malaysia	68,173	63,530
Deferred tax assets	11,943	6,778
Investments in associated companies	209,470	201,592
Investment properties	42,786	42,786
Prepaid land lease payments	11,538	11,011
Property and equipment	166,073	163,516
Intangible assets	252,508	250,181
TOTAL ASSETS	8,004,929	8,449,364

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (Cont'd)

	Note	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
LIABILITIES			
Deposits from customers	A10	3,076,590	2,073,598
Obligations on securities sold under repurchase agreements		245	241
Derivative financial liabilities		29,161	164,757
Progress billings		14,518	12,254
Other liabilities	A11	2,505,087	3,810,957
Tax payable		26,786	41,399
Deferred tax liabilities		27,465	39,003
Borrowings	B10	433,637	433,855
TOTAL LIABILITIES		6,113,489	6,576,064
EQUITY			
Share capital		673,063	672,111
Less : Treasury shares	A5(b)	(29,778)	(29,597)
		643,285	642,514
Reserves		875,255	853,524
Equity attributable to equity holders of the Company		1,518,540	1,496,038
Minority interests		372,900	377,262
TOTAL EQUITY		1,891,440	1,873,300
TOTAL LIABILITIES AND EQUITY		8,004,929	8,449,364
Net Asset per share (RM) attributable to equity holders of the Company		2.34	2.31

(The accompanying explanatory notes attached to the interim financial statements form an integral part of and should be read in conjunction with this quarterly report.)

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008 UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

		(Restated) Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Revenue		206,046	312,513	434,500	600,510
Interest income	A12	49,266	38,517	99,012	64,920
Interest expense	A13	(28,202)	(21,218)	(55,589)	(33,238)
Net interest income		21,064	17,299	43,423	31,682
Other operating income	A14	215,388	273,996	394,096	535,590
Net income from Islamic Banking business	A26	(129)	-	(129)	-
Other operating expenses	A15	(138,303)	(163,504)	(271,216)	(323,058)
Allowance for losses on loans, advances and financing	A16	(3,719)	(1,034)	(4,282)	(1,034)
Write back/(allowance) for bad and doubtful debts on trade and other receivables	A17	704	6,283	(470)	2,948
Impairment loss	A18	(22,000)	-	(22,000)	-
Share of (losses) / profits of associated companies, net of taxation		(918)	3,782	(2,160)	7,422
Profit before taxation		72,087	136,822	137,262	253,550
Income tax expense	B6	(7,437)	(33,485)	(26,711)	(65,018)
Profit after taxation for the period		64,650	103,337	110,551	188,532
Profit attributable to:					
Equity holders of the Company		59,026	85,814	99,759	161,733
Minority interests		5,624	17,523	10,792	26,799
		64,650	103,337	110,551	188,532
Earnings per share attributable to equity holders of the Company (sen):					
Basic	B14	9.10	13.31	15.38	25.54
Diluted	B14	9.07	12.58	15.32	24.52

(The accompanying explanatory notes attached to the interim financial statements form an integral part of and should be read in conjunction with this quarterly report.)

OSK HOLDINGS BERHAD (207075-U)
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Capital redemption reserve	Equity com-pensation reserve	Foreign exchange reserve	Statutory reserves	Available -for-sale reserve	Other reserves	Retained profits	Total		
<u>Current year to date ended</u> <u>30 June 2008</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008													
As previously reported	672,111	(29,597)	99,363	58,919	2,352	(7,726)	89,983	-	20,506	555,049	1,460,960	377,224	1,838,184
Effects of adoption of BNM/GP8	-	-	-	-	-	-	-	4,570	-	30,508	35,078	37	35,115
As restated	672,111	(29,597)	99,363	58,919	2,352	(7,726)	89,983	4,570	20,506	585,557	1,496,038	377,261	1,873,299
Foreign currency translation differences	-	-	-	-	-	5,607	-	-	-	-	5,607	5,182	10,789
Share of other reserves in associated companies	-	-	-	-	-	-	-	-	(1,110)	-	(1,110)	-	(1,110)
Minority interest's share of:													
Other reserves in associated companies	-	-	-	-	-	-	-	-	430	-	430	482	912
Share issue expenses charged to share premium	-	-	-	-	-	-	-	-	-	-	-	(54)	(54)
Net change in fair value of securities available-for-sale	-	-	-	-	-	-	-	(35,063)	-	-	(35,063)	-	(35,063)
Losses on deemed disposal of shares in associated companies	-	-	-	-	-	-	-	-	(149)	-	(149)	-	(149)
Transfer to statutory reserve	-	-	-	-	-	-	62,515	-	-	(62,515)	-	-	-
Total income/(expense) recognised directly in equity	-	-	-	-	-	5,607	62,515	(35,063)	(829)	(62,515)	(30,285)	5,610	(24,675)
Profit for the period	-	-	-	-	-	-	-	-	-	99,759	99,759	10,792	110,551
Total (expense)/income for the period	-	-	-	-	-	5,607	62,515	(35,063)	(829)	37,244	69,474	16,402	85,876
Dividend paid	-	-	-	-	-	-	-	-	-	(48,027)	(48,027)	-	(48,027)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	-	(11,524)	(11,524)
Share buybacks by the Company	-	(181)	-	-	-	-	-	-	-	-	(181)	-	(181)
Share buybacks by a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(9,723)	(9,723)
Shares issued pursuant to exercise of ESOS	952	-	285	-	-	-	-	-	-	-	1,237	-	1,237
Transactional costs	-	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Reserve realised upon exercise and forfeiture of ESOS	-	-	-	-	(397)	-	-	-	-	397	-	-	-
Acquisition of subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	484	484
At 30 June 2008	673,063	(29,778)	99,647	58,919	1,955	(2,119)	152,498	(30,493)	19,677	575,171	1,518,540	372,900	1,891,440

OSK HOLDINGS BERHAD (207075-U)
QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont'd)

	Attributable to equity holders of the Company											Minority interests	Total equity
	Share capital	Treasury shares	Share premium	Capital redemption reserve	Equity compensation reserve	Foreign exchange reserve	Statutory reserves	Available-for-sale reserve	Other reserves	Retained profits	Total		
<u>Preceding year to date ended</u> <u>30 June 2007 (Restated)</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007													
As previously reported	632,352	(29,082)	62,732	58,919	2,460	(2,158)	-	-	22,445	474,586	1,222,254	298,860	1,521,114
Effects of adoption of BNM/GP8	-	-	-	-	-	-	-	32,968	-	2,898	35,866	-	35,866
As restated	632,352	(29,082)	62,732	58,919	2,460	(2,158)	-	32,968	22,445	477,484	1,258,120	298,860	1,556,980
Losses on deemed disposal of shares in associated companies	-	-	-	-	-	-	-	-	(114)	-	(114)	-	(114)
Foreign currency translation differences	-	-	-	-	-	(3,976)	-	-	-	-	(3,976)	(2,129)	(6,105)
Realisation of gain on actual disposal of shares in associated companies:													
- gains previously recognised on deemed disposal	-	-	-	-	-	-	-	-	(2,511)	2,511	-	-	-
- other reserves	-	-	-	-	-	-	-	-	240	(240)	-	-	-
Share of other reserves in associated companies	-	-	-	-	-	-	-	-	(110)	-	(110)	-	(110)
Reserve arising from acquisition of additional shares in an indirect subsidiary company	-	-	-	-	-	-	-	-	-	35	35	(35)	-
Reserve arising from acquisition of additional shares in a subsidiary	-	-	-	-	-	-	-	-	-	146	146	(146)	-
Minority interest's share of reserves in associated companies	-	-	-	-	-	-	-	-	855	(777)	78	134	212
Transfer of reserves	-	-	-	-	-	-	52,522	-	-	(52,522)	-	-	-
Net change in fair value of securities available-for-sale	-	-	-	-	-	-	-	(10,321)	-	-	(10,321)	-	(10,321)
Total (expense)/income recognised directly in equity	-	-	-	-	-	(3,976)	52,522	(10,321)	(1,640)	(50,847)	(14,262)	(2,176)	(16,438)
Profit for the period	-	-	-	-	-	-	-	-	-	161,733	161,733	26,799	188,532
Total (expense)/income for the period	-	-	-	-	-	(3,976)	52,522	(10,321)	(1,640)	110,886	147,471	24,623	172,094
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(35,307)	(35,307)	(8,191)	(43,498)
Shares issued pursuant to private placement	25,000	-	31,250	-	-	-	-	-	-	-	56,250	-	56,250
Shares issued pursuant to exercise of ESOS	13,578	-	5,996	-	-	-	-	-	-	-	19,574	-	19,574
Share-based payment under ESOS due to modification	-	-	-	-	1,268	-	-	-	-	-	1,268	-	1,268
Reserve realised upon exercise of ESOS	-	-	-	-	(1,621)	-	-	-	-	1,621	-	-	-
Share-based payment under ESOS by subsidiary compa	-	-	-	-	406	-	-	-	-	-	406	-	406
Share buybacks by the Company	-	(515)	-	-	-	-	-	-	-	-	(515)	-	(515)
Transaction costs	-	-	(1,098)	-	-	-	-	-	-	-	(1,098)	-	(1,098)
Dilution of interest in a subsidiary company due to:													
- conversion of warrants in a subsidiary company	-	-	-	-	-	-	-	-	-	(3)	(3)	5	2
- resale of treasury shares by a subsidiary company	-	-	-	-	-	-	-	-	-	(1,335)	(1,335)	3,968	2,633
Acquisition of additional shares in subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(2,170)	(2,170)
As at 30 June 2007	670,930	(29,597)	98,880	58,919	2,513	(6,134)	52,522	22,647	20,805	553,346	1,444,831	317,095	1,761,926

(The accompanying explanatory notes attached to the interim financial statements form an integral part of and should be read in conjunction with this quarterly report.)

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Cash Flows From Operating Activities		
Profit before taxation	137,262	253,550
Adjustments for :-		
Interest expense	53,964	30,507
Profit payment on BaIDS	1,469	1,750
Accretion of discount on BaIDS	896	981
Interest income	(99,623)	(62,841)
Other non-cash and non-operating items	(7,404)	(40,900)
Share of results of associated companies, net of taxation	(2,160)	(7,422)
Operating profit before working capital changes	<u>84,404</u>	175,625
<i>(Increase)/Decrease in operating assets:</i>		
Deposits and placements with banks and other financial institutions	(579,550)	(375,900)
Loans, advances and financing	(739,399)	-
Statutory deposits with Bank Negara Malaysia	(4,643)	(45,870)
Property development costs	(19,206)	(7,297)
Other operating assets	1,369,381	(4,044,699)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	1,003	1,198,321
Deposits and placements of banks and other financial institutions	-	(30,040)
Obligations on securities sold under repurchase agreements	4	383,676
Other operating liabilities	(127,561)	2,536,009
Net cash used in operations	<u>(15,567)</u>	(210,175)
Income tax paid net of refund	(50,344)	(12,453)
Interest received	96,345	57,269
Net cash generated from / (used in) operating activities	<u>30,434</u>	(165,359)
Cash Flows From Investing Activities		
Acquisition of additional shares in subsidiary companies	(70)	(2,476)
Acquisition of additional investments in associated company	(11,475)	-
Acquisition of intangible assets	(2)	(4)
Dividend received	1,280	6,244
Interest received	16,698	721
Net cash outflow on acquisition of subsidiary companies	-	(1,374)
Proceeds from disposal of shares in associated companies	-	56,925
Proceeds from disposal of securities held for trading	56,824	78,673
Purchase of property and equipment, net of sales proceeds	(10,329)	(6,660)
Net purchase of securities held-for-trading	(48,511)	(73,475)
Net purchase of securities available-for-sale	(5,848)	(18,904)
Net purchase of securities held-to-maturity	(50,000)	-
Purchase of software licence	(1,011)	-
Net cash (used in) / generated from investing activities	<u>(52,444)</u>	39,670

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008 UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (Cont'd)

	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Cash Flows From Financing Activities		
Dividends paid to shareholders	(48,026)	(35,307)
Dividends paid to minority interests	(11,524)	(8,191)
Drawdown of term loan	2,303	10,000
Interest paid	(53,965)	(26,086)
Net drawdown of revolving credits/short term loans	46,978	292,263
Payments of BaIDS and borrowing expenses	(30)	(30)
Payments of BaIDS profits	(1,750)	(1,750)
Payments of finance lease instalments	(373)	(327)
Payments of share buybacks by the Company	(181)	(515)
Payments of share buybacks by a subsidiary company	(9,723)	-
Payments of share issue expenses	(64)	(1,098)
Proceeds from exercise of warrants in a subsidiary company	-	3
Proceeds from issuance of shares for ESOS exercised	1,246	19,574
Proceeds from issuance of shares for Private Placement	-	56,250
Proceeds from resale of treasury shares by a subsidiary company	-	2,633
Repayment of commercial papers	-	(160,000)
Repayment of term loan	(23,149)	(4,777)
Repayment of BaIDS	(25,000)	-
Net cash (used in) / generated from financing activities	(123,258)	142,642
Net (decrease) / increase in cash and cash equivalents	(145,268)	16,953
Effects of exchange rate changes	10,234	(5,171)
Cash and cash equivalents at beginning of period	316,975	169,372
Cash and cash equivalents at end of period	181,941	181,154
Cash and cash equivalents at end of period comprised:		
Cash, bank balances and deposits - General accounts	181,997	207,501
Bank overdrafts	(56)	(26,347)
	181,941	181,154

(The accompanying explanatory notes attached to the interim financial statements form an integral part of and should be read in conjunction with this quarterly report.)

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

PART A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM")

A1. Basis of Preparation

The quarterly report has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the MASB and the "Revised Guidelines on Financial Reporting for Licensed Institutions" ("BNM/GP8"). The report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

As the wholly-owned subsidiary company, OSK Investment Bank Berhad ("OSKIB"), has been given a year from the date of inception of its investment bank status in January 2007 to comply with the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8"). Therefore, the Group and OSKIB are required to comply with BNM/GP8 for the financial statements beginning on 1 January 2008.

The significant accounting policies and methods of computation adopted by the Group in this quarterly report are consistent with those of the annual financial statements for the year ended 31 December 2007 except for the adoption of BNM/GP8 and the following new and revised Financial Reporting Standards and Amendment issued by MASB that are effective for financial statements for the period beginning on or after 1 July 2007: -

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

FRS 120 is not applicable to the Group. The adoption of these FRSs and the Interpretations are expected to have no significant financial impact on the financial statements of the Group.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A1. Basis of Preparation (Cont'd)

Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8")

The FRS 139 - Financial Instruments: Recognition and Measurement will be effective for financial period beginning on or after 1 January 2010.

(i) Presentation of financial statements

The consolidated income statement and balance sheet are now prepared in accordance with BNM/GP8 format requirements.

(ii) Securities portfolio

The Group previously classified its securities portfolio as short term or long term investments and these were accounted for at the lower of cost or market/fair value on an aggregate portfolio basis. Upon the adoption of BNM/GP8, the Group has classified and accounted for its securities portfolio as follows:

o *Securities held-for-trading ("HFT")*

Securities are classified as HFT where held for purpose of selling or repurchasing and shall be stated at fair value. Any gain or loss arising from a change in the fair value will be recognised in the income statement.

Interest is calculated using the effective interest method and is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the right to receive payment is established.

o *Securities held-to-maturity ("HTM")*

HTM investments are securities with fixed payments and maturity and the Group has positive intention and ability to hold to maturity. These investments are measured at amortised cost using the effective interest method. Gain or loss is recognised in income statement upon disposal. Amortisation and impairment loss are recognised in the income statement.

o *Securities available-for-sale ("AFS")*

Securities that are not classified as the two categories above are classified as AFS securities and are measured at fair value (or at cost when fair value cannot be determined with reasonable certainty) less any impairment loss. Any gain or loss arising from a change in the fair value will be recognised directly in equity through the statement of changes on equity and any impairment losses and foreign exchange gains and losses are recognised in income statement.

Interest is calculated using the effective interest method and is recognised in the income statement. Dividends on equity instruments are recognised in the income statement when the right to receive payment is established.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A1. Basis of Preparation (Cont'd)

Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") (Cont'd)

(iii) Accounting for derivative financial assets and liabilities

The Group previously accounted for their derivative financial assets at the lower of cost or market/fair value on an aggregate portfolio basis; and their derivative financial liabilities at cost. Derivative financial assets were held for the purpose of hedging against derivative financial liabilities.

Upon the adoption of BNM/GP8, the Group adopts a mark-to-market approach where both derivative financial assets and liabilities are to be stated at fair value with corresponding gain or loss recognised in the income statement.

The adoption of above represent changes in accounting policies which have been applied retrospectively. The effects of changes in accounting policies on the opening reserves of the Group are shown in the consolidated statement of changes in equity . Certain comparative figures have been reclassified to conform with current year's presentation pursuant to the adoption of BNM/GP8. The restatement of certain comparatives are shown below:

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A1. Basis of Preparation (Cont'd)

Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") (Cont'd)

Consolidated Balance Sheet as at 31 December 2007	As previously	Effect of		As restated
	reported	change in	Reclassification	
	(Dr.)/Cr.	policies per	of accounts per	(Dr.)/Cr.
	RM'000	BNM/GP8	BNM/GP8	RM'000
		(Dr.)/Cr.	(Dr.)/Cr.	
		RM'000	RM'000	RM'000
Cash and short-term funds				
- General accounts	-	-	319,002	319,002
- Segregated accounts	-	-	615,485	615,485
Cash, bank balances and deposits				
- General accounts	319,002	-	(319,002)	-
- Segregated accounts	615,485	-	(615,485)	-
Securities held-for-trading	-	396	141,848	142,244
Securities held-to-maturity	-	-	111,122	111,122
Securities available-for-sale	-	6,174	1,198,145	1,204,319
Short term investments	1,352,222	-	(1,352,222)	-
Fund manager's stocks	12,813	-	(12,813)	-
Other long term investments	86,317	-	(86,317)	-
Derivative financial assets	139,489	(5,060)	-	134,429
Loans, advances and financing	267,883	-	932,124	1,200,007
Other assets	-	-	3,116,421	3,116,421
Security deposits and statutory funds	2,669	-	(2,669)	-
Trade receivables	3,673,463	-	(3,673,463)	-
Other receivables, deposits and prepayments	31,264	-	(31,264)	-
Tax recoverable	7,460	-	(7,460)	-
Derivative financial liabilities	(210,700)	45,943	-	(164,757)
Other liabilities	-	-	(3,810,957)	(3,810,957)
Trade payables	(3,226,867)	-	3,226,867	-
Deferred tax liabilities	(26,665)	(12,338)	-	(39,003)
Other payables, deposits and accruals	(247,377)	-	247,377	-
Amount due to an associated company	(3,261)	-	3,261	-
Borrowings	-	-	(433,855)	(433,855)
Long term borrowings:				
Term loan	(124,034)	-	124,034	-
Seven (7)-Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS")	(47,446)	-	47,446	-
Finance lease payables	(484)	-	484	-
Short term borrowings	(261,891)	-	261,891	-
Reserves	(818,446)	(35,078)	-	(853,524)
Minority interests	(377,225)	(37)	-	(377,262)
	<u>1,163,671</u>	<u>-</u>	<u>-</u>	<u>1,163,671</u>

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A1. Basis of Preparation (Cont'd)

Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") (Cont'd)

Consolidated Income Statement for year to date ended 30 June 2007	As previously reported (Dr.)/Cr. RM'000	Effect of change in policies per BNM/GP8 (Dr.)/Cr. RM'000	Reclassifica- tion of accounts per BNM/GP8 (Dr.)/Cr. RM'000	As restated (Dr.)/Cr. RM'000
Interest income	-	-	64,920	64,920
Interest expense	-	-	(33,238)	(33,238)
Other operating income	-	6,360	529,230	535,590
Other operating expenses	-	-	(323,058)	(323,058)
Allowance for losses on loans, advances and financing	-	-	(1,034)	(1,034)
Write back of bad and doubtful debts on trade and other receivables	-	-	2,948	2,948
Revenue	583,315	-	(583,315)	-
Direct costs	(202,641)	-	202,641	-
Operating expenses	(148,692)	-	148,692	-
Other income	24,892	-	(24,892)	-
Finance costs	(17,106)	-	17,106	-
Share of profits of associated companies, net of taxation	7,422	-	-	7,422
Profit before taxation	247,190	6,360	-	253,550
Income tax expense	(62,251)	(2,767)	-	(65,018)
Profit after taxation for the period	184,939	3,593	-	188,532
Profit attributable to:				
Equity holders of the Company	158,442	3,291	-	161,733
Minority interests	26,497	302	-	26,799
	184,939	3,593	-	188,532

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A1. Basis of Preparation (Cont'd)

Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3")

The Group has adopted BNM/GP3 guidelines in respect of classification of non-performing accounts, loan loss provisioning and interest income recognition.

For allowances for non-performing loans in OSKIB, OSKIB has adopted BNM/GP3 requirement since the commencement date of its investment banking business in year 2007. While for margin financing of capital financing of a licensed money lending subsidiary company had also adopted BNM/GP3 requirements in September 2007.

When loans, advances and financing granted by the Group become non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of interest income in the income statement and taken to interest-in-suspense for set off against the accrued interest receivable in the balance sheet. Subsequent to suspension, interest earned on the non-performing loans, advances and financing shall be recognised as income on cash basis.

There is no significant financial impact arising from the adoption of BNM/GP3.

A2. Seasonal or cyclical factors

There were no significant seasonal or cyclical factors that will materially affect the business operations of the Group for the period under review other than the stock broking operations which is dependent on the performance of the stock market; and the profit of OSK Ventures International Berhad ("OSKVI") group, a subsidiary group of the Company, which is influenced by, amongst others, the share of profits of associated companies as well as the timing of disposal of investments by OSKVI group.

A3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the financial statements for the current year to date.

A4. Material changes in estimates

There were no significant changes in estimates of amounts reported in prior interim periods or prior financial year that have a material effect in the current year to date.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A5. Changes in debt and equity securities

(a) Executive Share Option Scheme (“ESOS”) of the Company

During the current year to date, the Company has issued 952,400 new ordinary shares of RM1 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the exercise of options amounted to RM1,237,886. The movement in the ESOS during the current financial year to date is as follows:

Date of offer	Exercise price RM	No. of options over ordinary shares of RM1 each				
		As at 1/1/2008	Granted	Exercised	Forfeited	As at 30/6/2008
27 Jun 2003	1.33	1,789,000	-	(9,000)	-	1,780,000
16 Mar 2004	1.95	5,314,040	-	(3,000)	(29,500)	5,281,540
29 Apr 2005	1.18	1,208,000	-	(327,100)	-	880,900
3 May 2006	1.36	4,977,700	-	(613,300)	-	4,364,400
		13,288,740	-	(952,400)	(29,500)	12,306,840

On 4 January 2007, the duration of ESOS which was due to expire on 17 February 2008 had been extended for another 5 years to 17 February 2013.

(b) Share buybacks / Treasury shares of the Company

During the current year to date, the Company has purchased 100,000 ordinary shares of RM1 each for a total cash consideration of RM180,774 from the open market at an average price of RM1.81 per share. The shares repurchased are being held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965. Details of share buybacks for the current year to date are as follows:

	Number of shares	Highest price RM	Lowest price RM	Average cost (included transaction costs) RM	Total amount paid RM
As at 1 January 2008	24,046,412	2.82	0.90	1.23	29,597,121
May 2008	100,000	1.80	1.80	1.81	180,774
	100,000	1.80	1.80	1.81	180,774
As at 30 June 2008	24,146,412	2.82	0.90	1.23	29,777,895

Other than the above, there were no cancellations, resale and repayments of debt and equity securities for the current year to date.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A6. Dividend paid

A final dividend of 10.0 sen per share less 27% income tax amounted to RM48,026,653 in respect of the preceding financial year ended 31 December 2007 was paid on 22 May 2008.

A7. Securities portfolio

(a) Securities held-for-trading

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
<i>At fair value</i>		
Money market instruments:		
Malaysian Government Securities	19,380	78,884
	19,380	78,884
Quoted securities:		
Shares and warrants in Malaysia	25,180	28,506
Shares outside Malaysia	8,077	21,874
Unit trusts quoted in Malaysia	3,645	12,980
	36,902	63,360
Unquoted debt securities:		
Private and Islamic debt securities	24,528	-
	24,528	-
	80,810	142,244

(b) Securities held-to-maturity

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
<i>At cost</i>		
Unquoted securities:		
Redeemable loan note outside Malaysia	10,989	11,122
<i>At amortised cost</i>		
Money market instruments:		
Negotiable instruments of deposit	150,000	100,000
	160,989	111,122

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A7. Securities portfolio (Cont'd)

(c) Securities available-for-sale

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
<i>At fair value</i>		
Money market instruments:		
Bank Negara Malaysia Monetary Notes	30,000	30,000
Bankers' acceptance	129,690	20,161
Cagamas bonds	4,937	4,996
Khazanah bonds	28,581	28,128
Malaysian Government Securities	108,971	29,955
Malaysian Government Investment Issues	59,428	59,829
Negotiable instruments of deposit	19,199	20,059
	380,806	193,128
Quoted securities:		
Shares and warrants in Malaysia	20,529	13,571
USD Class Bonds outside Malaysia	196	194
	20,725	13,765
Unquoted securities:		
Shares in Malaysia	2,855	2,855
Shares outside Malaysia	68,276	63,843
Private debt securities in Malaysia	1,137,450	930,728
	1,208,581	997,426
	1,610,112	1,204,319

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A8. Loans, advances and financing

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
Term loans / financing	370,575	381,701
Revolving credit	8,018	10,934
Staff loans	226	-
Share margin financing	755,009	817,950
	1,133,828	1,210,585
Less: Unearned interest and income	(3,270)	(2,017)
	1,130,558	1,208,568
Allowance for bad and doubtful debts		
- general	(5,591)	(5,826)
- specific	(7,548)	(2,735)
	1,117,419	1,200,007

(a) Analysis of gross loans, advances and financing

(i) Analysed by type of customers:

Domestic business enterprises		
- Small and medium enterprises	55,574	29,154
- Others	422,419	523,094
Individuals	652,565	656,320
	1,130,558	1,208,568

(ii) Analysed by interest rate sensitivity:

Fixed rate	1,024,675	904,765
Variable rate - Cost plus	105,883	303,803
	1,130,558	1,208,568

(iii) Analysed by economic purpose:

Working capital	151,575	86,411
Purchase of securities	966,331	935,742
Other purposes	12,652	186,415
	1,130,558	1,208,568

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A8. Loans, advances and financing (Cont'd)

(b) Analysis of gross loans, advances and financing (Cont'd)

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
Purchase of securities	40,891	18,980
Gross NPL	40,891	18,980
(i) Movement in NPLs		
At beginning of period/year	18,980	43,384
Classified as non-performing	35,798	25,683
Reclassified as performing	(774)	(31,390)
Amount recovered	(13,113)	(18,525)
Amount written off	-	(172)
At end of period/year	40,891	18,980
Specific allowance	(7,548)	(2,735)
Net non-performing loans, advances and financing	33,343	16,245
Ratio of net NPL and financing to net loans and financing	3%	1%
(ii) Movement in allowance for bad and doubtful debts		
General allowance		
At beginning of period/year	5,826	-
Allowance made	(235)	5,826
At end of period/year	5,591	5,826
As % of gross loan, advances and financing less specific allowance	0.5%	0.5%
Specific allowance		
At beginning of period/year	2,735	1,919
Allowance made	7,608	861
Allowance written back	(2,747)	-
Amount recovered	(43)	(45)
Exchange difference	(5)	-
At end of period/year	7,548	2,735

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A9. Other assets

	As at 30/6/2008 RM'000	(Restated) As at 31/12/2007 RM'000
Security deposits and statutory funds	2,661	2,669
Trade receivables	1,959,849	3,074,791
Other receivables, deposits and prepayments	93,659	31,264
Tax recoverable	11,176	7,460
Club golf memberships	1,070	228
Futures contract	86	9
	2,068,501	3,116,421

A10. Deposits from customers

(a) By type of deposit

Fixed deposits	1,567,941	1,262,398
Negotiable instruments of deposit	417,411	278,600
Short term deposits	829,956	532,600
Mudharabah general deposits	261,282	-
	3,076,590	2,073,598

(b) By type of customer

Government and statutory bodies	50,500	27,000
Domestic non-bank financial institutions	2,513,331	1,710,354
Business enterprises	443,638	295,043
Foreign entities	100	550
Individuals	50,042	27,324
Others	18,979	13,327
	3,076,590	2,073,598

A11. Other liabilities

Interest/Profit payable	18,383	19,487
Trade payables	2,020,257	3,560,319
Other payables, deposits and accruals	462,777	227,890
Amount due to an associated company	3,670	3,261
	2,505,087	3,810,957

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A12. Interest income

	(Restated) Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	(Restated) Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Loans, advances and financing:				
<i>Other than recoveries from NPL</i>	10,317	2,716	17,437	8,303
<i>Recoveries from NPLs</i>	1,002	-	1,002	108
Securities portfolio:				
<i>Securities held-for-trading</i>	161	-	443	-
<i>Securities available-for-sale</i>	13,118	11,500	29,103	17,875
<i>Securities held-to-maturity</i>	189	-	208	-
Deposits and placements with financial institutions	10,471	1,038	20,675	3,518
Stock-broking and futures and options broking clients	8,118	23,229	23,840	35,054
Others	842	34	1,224	62
	44,218	38,517	93,932	64,920
Amortisation of premium less accretion of discount	5,048	-	5,080	-
	49,266	38,517	99,012	64,920

A13. Interest expense

Accretion of discount on BaIDS	359	490	896	981
Borrowings	4,050	3,210	8,353	5,704
Commercial papers	-	1,842	-	4,421
Deposits from customers	22,816	13,397	44,454	16,936
Deposits and placements of financial institutions	-	26	-	656
Finance lease	16	5	36	36
Obligations on securities sold under repurchase agreements	3	1,373	7	2,731
Profit payment on BaIDS	594	875	1,469	1,750
Others	364	-	374	23
	28,202	21,218	55,589	33,238

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A14. Other operating income

(a) Fees and commission

	Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Advisory, agency and arrangement fees	5,249	5,919	12,283	8,233
Administrative charges, carrying charges and facility fees	3,757	2,146	7,518	4,320
Commission	2,223	542	5,943	3,745
Fees earned from management of unit trust funds	13,059	8,833	25,990	16,313
Gross brokerage fees	74,798	148,717	165,401	298,815
Placement fees	4,600	5,508	5,477	7,816
Loan processing, facility and commitment fees	1,741	4,197	4,018	4,970
Service charges on sale of trust units	7,681	21,855	13,455	54,841
Trustee and will-writing fees	1,639	1,268	2,839	1,791
Others	486	283	766	434
	115,233	199,268	243,690	401,278

(b) Net gain/(loss) arising from sale of securities and derivatives

Securities held-for-trading	(6,382)	(2,570)	(7,827)	2,250
Securities available-for-sale	116	14,764	354	48,598
Derivative financial instruments	122,672	47,507	71,962	47,507
Investments in associated companies	-	25,465	-	25,465
	116,406	85,166	64,489	123,820

(c) Gross dividend income

Securities held-for-trading	322	1,681	1,271	2,672
	322	1,681	1,271	2,672

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A14. Other operating income (Cont'd)

	Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
(d) Unrealised gain/(loss) on revaluation of trading securities and derivatives				
Securities held-for-trading	(1,804)	962	(5,127)	(762)
Derivative financial instruments	(119,004)	(35,319)	(36,371)	(35,375)
	(120,808)	(34,357)	(41,498)	(36,137)
(e) Unrealised gains/ (losses) from foreign exchange translations				
	6,970	(652)	4,764	(768)
	6,970	(652)	4,764	(768)
(f) Others				
(Loss)/gain on disposal of plant and equipment (net)	(7)	-	41	-
Realised gain on foreign exchange	1,505	3,866	3,289	6,911
Office rental	4,746	1,345	8,280	2,682
Revenue from property development projects	27,549	15,925	44,824	31,925
Sales of oil palm produce	566	311	1,057	625
Reversal of provision for legal compensation and interest costs	59,219	-	59,219	-
Negative goodwill on share buy back by a subsidiary company	3,180	-	3,180	-
Others	507	1,443	1,490	2,582
	97,265	22,890	121,380	44,725
	215,388	273,996	394,096	535,590

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A15. Other operating expenses

	Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
(a) Personnel expenses				
Salaries, allowances and bonuses	44,942	41,308	84,468	74,218
Pension costs, defined contribution plan	3,155	2,291	10,362	5,901
Others	3,256	1,050	4,849	4,194
	51,353	44,649	99,679	84,313
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	1,808	1,838	3,980	3,269
Commission	23,149	69,730	53,130	143,191
Fees and charges	8,194	8,327	16,915	15,510
Property development activities	20,349	13,219	34,549	26,140
Others	111	(301)	216	786
	53,611	92,813	108,790	188,896
(c) Establishment related expenses				
Depreciation and amortisation	3,700	3,531	7,283	7,004
Rental of equipment	1,671	553	2,988	1,105
Rental of premises	4,618	2,156	7,157	3,982
Information technology expenses	613	930	1,208	1,745
Repair and maintainance	1,365	1,250	2,478	2,258
Utility expenses	1,398	1,027	2,787	1,933
Others	1,226	1,571	3,406	2,851
	14,591	11,018	27,307	20,878
(d) General administrative expenses				
Communication expenses	1,093	2,617	3,434	4,864
Legal and professional fees	4,072	583	8,308	4,544
Others	13,583	11,824	23,698	19,563
	18,748	15,024	35,440	28,971
	138,303	163,504	271,216	323,058

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A16. Allowance for losses on loans, advances and financing

	Current quarter ended 30/6/2008 RM'000	(Restated) Comparative quarter ended 30/6/2007 RM'000	Current year to date ended 30/6/2008 RM'000	(Restated) Preceding year to date ended 30/6/2007 RM'000
Specific allowance				
Made	6,098	116	7,565	116
(Written back)	(2,747)	-	(2,747)	-
General allowance (net)				
Made	1,029	126	1,029	126
(Written back)	(661)	-	(1,265)	-
Bad debts on loans and financing				
Recovered	(3)	-	(303)	-
Written off	3	792	3	792
	3,719	1,034	4,282	1,034

A17. (Write back) / allowance for bad and doubtful debts on trade and other receivables

Specific allowance				
Made	5,533	5,352	6,778	8,810
(Written back)	(6,220)	(6,515)	(6,313)	(6,515)
General allowance				
Made/(Written back)	(15)	36	(8)	(81)
Bad debts on loans and financing				
Recovered	(13)	(5,156)	(16)	(5,169)
Written off	11	-	29	7
	(704)	(6,283)	470	(2,948)

A18. Impairment loss

Impairment for securities available-for-sale	22,000	-	22,000	-
	22,000	-	22,000	-

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A19. Segmental information

Please refer to Appendix I.

A20. Valuations of property, plant and equipment

There were no revalued property, plant and equipment as at 30 June 2008.

A21. Material events subsequent to the end of the quarter

- (a) Issuance by OSK Investment Bank Berhad ("OSKIB") of RM100.0 Million in Nominal Value of 12 -Year Callable 5 Years Subordinated Medium Term Notes ("Subordinated Notes") under a RM400.0 million in Nominal Value Medium Term Notes Programme ("MTN Programme")

On 14 July 2008, OSKIB, a wholly-owned subsidiary company, has issued RM100.0 million in nominal value Subordinated Notes under the MTN Programme.

The proceeds raised from the MTN Programme shall be utilised for general business and corporate purpose and the MTN Programme has a tenor of up to 12 years from the date of the first issuance and where OSKIB shall have the option to issue Subordinated Notes with a maturity of 10 years from the issue date, and callable in whole or part, after minimum period of five years from the date of the issue ("Call Date"), and every coupon payment date thereafter at 100% of the nominal value outstanding together with accrued coupon payment.

The interest/coupon for the Subordinated Notes is to be determined prior to the issuance and is payable semi-annually in arrears. OSKIB may at its option and subject to the prior consent of Bank Negara Malaysia redeem the Subordinated Notes in part or in whole on the relevant Call Date and on every Coupon Payment Date thereafter at 100% of the principal amount outstanding together with accrued Coupon Payment ("Call Option").

The Subordinated Notes have been assigned a rating of A3. OCBC Bank (Malaysia) Berhad and Standard Chartered Bank Berhad ("SCB") are Joint Principal Advisers / Joint Lead Arrangers / Lead Managers and SCB is Facility Agent.

The MTN is to be included as Tier 2 capital for the purpose of computing capital adequacy ratio of OSKIB.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A21. Material events subsequent to the end of the quarter (Cont'd)

(b) Proposed Subscription of Share by OSK Investment Bank Berhad (“OSKIB”) in PT Nusadana Capital Indonesia (“PTNCI”)

On 8 April 2008, OSKIB, a wholly-owned subsidiary company of the Company, entered into a conditional Shares Subscription Agreement (“SSA”) with PTNCI, PT Ascend Unity Capital (“PTAUC”) and PT Multidana Assetama (“PTMA”) for the subscription of the Subscribed Shares, representing 51% of the enlarged share capital of PTNCI for an indicative subscription price of Rp201,968,800,100 (equivalent to approximately RM69,861,225, based on an exchange rate of RM1:Rp2891) in cash (“Proposed Subscription in PTNCT”).

PTNCI was established on 6 April 1990 under the name of PT Dwipanca Rezeki. The company changed its name to PT Nusadana Inti Investama on 25 September 1997 and assumed its present name on 4 March 2003. PTNCI has a 99%-owned subsidiary, PT Nusadana Aset Manajemen, which provides asset management services.

PTNCI is a securities house that is principally involved in stock broking, equity capital markets, treasury activities, fixed income, provision of corporate advisory and investment research. PTNCI obtained licenses to operate as a broker and an underwriter respectively in 1992 and 1997. In 2002, it obtained a license to provide financing for securities transactions from Indonesia Stock Exchange. PTNCI is also a member of Indonesia Stock Exchange.

The authorized share capital of PTNCI is Rp60,000,000,000 comprising 60,000 ordinary shares of Rp1,000,000 each of which Rp50,000,000,000 comprising 50,000 ordinary shares of Rp1,000,000 each have been issued and fully paid up.

Pursuant to the Proposed Subscription in PTNCT, PTNCI will issue the Subscribed Shares to OSKIB with a subscription price of Rp201,968,800,100 (“Subscription Price”). In relation to the said issuance, PTNCI will increase its authorised share capital from Rp60,000,000,000 to Rp200,000,000,000 and issued and paid-up capital from Rp50,000,000,000 to Rp102,041,000,000 each with a nominal value of Rp1,000,000 per share.

Upon completion of the Proposed Subscription in PTNCT, PTNCI will become a 51%-owned subsidiary of OSKIB and the enlarged share capital of PTNCI will be held by OSKIB, PTAUC and PTMA in the following manner: -

	No. of shares	%
OSKIB	52,041	51
PTAUC	40,000	39
PTMA	10,000	10
	<u>102,041</u>	<u>100</u>

OSKIB had obtained all approvals from the relevant authorities in Malaysia and Indonesia for the Proposed Subscription and that the Proposed Subscription was completed on 8 August 2008.

By virtue of the completion of the Proposed Subscription, PTNCI has become a 51%-owned subsidiary company of OSKIB and an indirect subsidiary of the Company. Upon completion, PTNCI is also now known as PT OSK Nusadana Securities.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A22. Changes in the composition of the Group

- (a) Acquisition of shares in Ever Bloom International Investment Limited ("EBII") (now known as OSK Asia Asset Management Limited) by OSK Asia Holdings Limited ("OSKAH") ("the Acquisition of EBII")

On 11 January 2008, OSKAH, 91.01%-owned subsidiary of OSKIB which in turn is a wholly-owned subsidiary of the Company acquired the entire issued and paid-up share capital of EBII, a shelf company comprising one (1) ordinary share of HK\$1 for a total purchase consideration of HK\$1.

EBII was incorporated in Hong Kong on 12 December 2007 with an initial authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and paid-up share capital of HK\$1 divided into one (1) ordinary share of HK\$1.00. Upon completion of the Acquisition, EBII has become a wholly-owned subsidiary of OSKAH and an indirect subsidiary of the Company. EBII will be principally involved in the provision of asset management services.

Following the Acquisition, EBII has increased its authorised share capital by HK\$19,990,000 from HK\$10,000 to HK\$20,000,000. OSKAHL has also on the completion date subscribed to an additional 4,999,999 ordinary shares of EBII of HK\$1.00 each, increasing EBII's issued and paid-up share capital from HK\$1 to HK\$5,000,000 comprising 5,000,000 ordinary shares of HK\$1.00 each.

On 17 January 2008, EBII changed its name to OSK Asia Asset Management Limited.

- (b) Acquisition of shares in Perspektif Pertama Sdn. Bhd.

On 30 April 2008, OSKPH acquired a shelf company, Perspektif Pertama Sdn. Bhd. ("PPSB") comprising two (2) ordinary shares of RM1.00 each for a cash consideration of RM2 and PPSB become a wholly-owned subsidiary of OSKPH.

PPSB was incorporated in Malaysia under the Companies Act, 1965 on 9 April 2008 with an authorised share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each. PPSB is presently a dormant company and its intended principal business activities are property management and development.

- (c) Incorporation of DMG & Partners Research Pte Ltd

On 5 May 2008, DMG & Partners Securities Pte Ltd ("DMG"), 51%-owned subsidiary of OSKIB, incorporated a new wholly-owned subsidiary company, DMG & Partners Research Pte Ltd, to carry out equities advisory services. DMG & Partners Research Pte Ltd was incorporated in Singapore under the Companies Act (Cap 50) and is a private company limited by shares. Presently, DMG & Partners Research Pte Ltd has an initial issued and paid-up capital of SG\$1.00 and it has yet to commence operations.

DMG is a 51%-owned subsidiary of OSK Investment Bank Berhad which in turn, is a wholly-owned subsidiary of the Company.

On 1 July 2008, DMG increased its investment in DMG & Partners Research Pte Ltd, from SG\$1 to SG\$175,000.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A22. Changes in the composition of the Group (Cont'd)

(d) Establishment of OSK (China) Investment Advisory Co. Ltd (“OSKCIA”) in Shanghai, China

On 9 May 2008, OSK Asia Holdings Limited (“OSKAH”) has received the business license to establish a new subsidiary, namely OSK (China) Investment Advisory Co. Ltd (“OSKCIA”) in Shanghai, the People’s Republic of China. The said business license dated 7 May 2008 was issued by the Shanghai Administration of Industry and Commerce.

OSKCIA is a wholly-owned subsidiary of OSKAH, a 91%-owned subsidiary of OSK Investments Bank Berhad, which is a wholly-owned subsidiary of the Company. OSKCIA was incorporated with a registered capital of USD2,000,000. It will be principally involved in the provision of investment and business advisory and related services.

(e) Acquisition and Subscription of shares in Wise Talent Investment Limited (“WTI”) by OSK Asia Holdings Limited (“OSKAH”)

On 21 May 2008, OSKAH acquired WTI, a shelf company comprising one (1) ordinary share of HK\$1.00 each for a total purchase consideration of HK\$1.00 to become a wholly-owned subsidiary of OSKAH (the “Acquisition of WTI”).

WTI was incorporated in Hong Kong on 24 April 2008 with an initial authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and having a paid-up share capital of HK\$1.00 divided into one (1) ordinary share of HK\$1.00.

Concurrent with the Acquisition, the authorised share capital of WTI had been increased from HK\$10,000 to HK\$20,000,000 and OSKAH had further subscribed for additional 4,999,999 ordinary shares of WTI of HK\$1.00 each (“Subscription of Shares”), thereby increasing WTI's issued and paid-up share capital from HK\$1.00 to HK\$5,000,000 comprising 5,000,000 ordinary shares of HK\$1.00 each. WTI would be principally involved in the provision of wealth management services.

OSKAH is a 91%-owned subsidiary of OSK Investments Bank Berhad which in turn is a wholly-owned subsidiary of OSKH.

On 27 May 2008, WTI has change its name to OSK Asia Wealth Management Limited.

(f) Acquisition of shares in Pine Avenue Sdn. Bhd. by OSK Property Holdings Berhad (“OSKPH”)

On 11 June 2008, OSKPH acquired a shelf company, Pine Avenue Sdn. Bhd. (“PASB”) comprising two (2) ordinary shares of RM1.00 each for a cash consideration of Ringgit Malaysia Two (RM2.00) only to become a wholly-owned subsidiary of OSKPH.

PASB was incorporated in Malaysia under the Companies Act, 1965 on 8 May 2008 with an authorised share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each. PASB is presently a dormant company and its principal business activity would be in property management and development.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A22. Changes in the composition of the Group (Cont'd)

(g) Subscription of shares in Rimulia Sdn. Bhd. ("Rimulia") by OSK Property Holdings Berhad ("OSKPH")

On 19 June 2008, OSKPH entered into a Subscription Agreement ("Subscription Agreement") with Rimulia and its existing shareholders, for the subscription of 510,000 ordinary shares of RM1.00 each at par, representing 51.00% of the enlarged issued and paid-up share capital of Rimulia Sdn. Bhd. ("Subscription Shares") for an aggregate subscription price of RM510,000.00 only ("Proposed Subscription").

Pursuant to the Subscription Agreement, an existing shareholder shall subscribe 489,998 ordinary shares of RM1.00 each at par, representing 48.99% of the enlarged issued and paid-up share capital of Rimulia for an aggregate subscription price of RM489,998.00.

Rimulia is a company incorporated in Malaysia under the Companies Act, 1965 on 29 September 2003 with an authorised share capital of RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each and an issued and paid-up capital of RM2.00. The principal activity of Rimulia is property development.

On 24 June 2008, OSKPH completed the Proposed Subscription. Effectively, Rimulia has become a 51%-owned subsidiary company of OSKPH.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A22. Changes in the composition of the Group (Cont'd)

The effect of the acquisitions of subsidiary company as disclosed above had the following effect on the Group's financial results for the current year to date:

The cost of acquisitions and cash outflow on acquisitions are as follows:

	RM'000
Purchase consideration satisfied by cash	510
Costs attributable to the acquisitions, paid in cash	70
Total cost of acquisitions	<u>580</u>
Cash and cash equivalents of subsidiary companies acquired	<u>(510)</u>
Net cash outflow of the Group	<u>70</u>

This new subsidiary company had contributed the following to the financial results to the Group:

	Date of acquisitions to 30.6.2008 RM'000
Revenue	3
Loss before taxation	(394)
Loss for the period	<u>(394)</u>

If the acquisition had been effected on 1 January 2008, the financial results contributed by these new subsidiary company for current year to date would have been:

	1.1.2008 to 30.6.2008 RM'000
Revenue	3
Loss before taxation	(394)
Loss for the period	<u>(394)</u>

The fair values of assets and liabilities recognised upon acquisition on the date of completion were as follows:

	As at date of acquisitions RM'000
Land held for property development	7
Trade and other receivables	2,323
Cash and bank balances - General accounts	510
Other payables and accruals	(1,843)
Tax payable	(3)
Fair value of total net assets	<u>994</u>
Minority interests	<u>(484)</u>
Group's share of net assets	510
Add: Goodwill on consolidation	70
Total acquisition costs	<u>580</u>

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A23. Commitments and contingencies

Please refer to Appendix II.

A24. Interest/profit rate risk

Please refer to Appendix III.

A25. Capital adequacy

The Group is not required to maintain any capital adequacy ratio requirements. The capital adequacy ratios of the investment banking subsidiary, OSK Investment Bank Berhad ("OSKIB") are as follows:

		OSKIB	OSKIB
		As at	As at
		30/6/2008	31/12/2007
		RM'000	RM'000
Tier I capital	Issued and fully paid share capital	630,000	630,000
	Retained profits	299	51,581
	Statutory reserve	89,982	89,982
		720,281	771,563
	Less: Goodwill	(46,516)	(46,516)
	Less: Deferred tax assets	(8,900)	(4,758)
	Total Tier I capital	664,865	720,289
Tier II capital	General allowance for bad and doubtful debts and financing:		
	- Loan, advances and financing	2,814	4,080
	- Trade receivables	27	35
	Total Tier II capital	2,841	4,115
	Total capital	667,706	724,404
	Less: Investments in subsidiary companies	(206,297)	(206,292)
Capital base		461,409	518,112
Core capital ratio		21.69%	24.81%
Risk-weighted capital ratio		21.69%	24.81%

OSKIB implemented its Basel II weighted assets computation under the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. The Bank has adopted the Standardised Approach for credit risk and market risk and Basic Indicator Approach for operational risk computation.

The comparative figures have not been restated to comply with Basel II as the requirements for Basel II risk weighted assets computation took effect from 1 January 2008.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A26. Operations of Islamic Banking

The Islamic Banking operations of the investment banking subsidiary, OSK Investment Bank Berhad ("OSKIB") are as follows:

(a) OSK INVESTMENT BANK BERHAD UNAUDITED CONDENSED BALANCE SHEET AS AT 30 JUNE 2008

	OSKIB As at 30/6/2008 RM'000	OSKIB As at 31/12/2007 RM'000
ASSETS		
Cash and short-term funds - General accounts	1,213	-
Deposits and placement with banks and other financial institutions	270,280	-
Securities portfolio - Securities available-for-sale	38,671	-
Other assets	131	-
Deferred tax assets	74	-
Plant and equipment	14	-
TOTAL ASSETS	310,383	-
LIABILITIES		
Deposits from customers	261,282	-
Other liabilities	532	-
TOTAL LIABILITIES	261,814	-
ISLAMIC BANKING CAPITAL FUNDS		
Islamic banking funds	50,000	-
Reserves	(1,431)	-
TOTAL ISLAMIC BANKING CAPITAL FUNDS	48,569	-
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	310,383	-

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A26. Operations of Islamic Banking (Cont'd)

(b) OSK INVESTMENT BANK BERHAD

UNAUDITED CONDENSED INCOME STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008

	OSKIB Current quarter ended 30/6/2008	OSKIB Comparative quarter ended 30/6/2007	OSKIB Current year to date ended 30/6/2008	OSKIB Preceding year to date ended 30/6/2007
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	611	-	611	-
Income attributable to the depositors	(740)	-	(740)	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
	(129)	-	(129)	-
Income attributable to the depositors and others	-	-	-	-
Income attributable to OSKIB	(129)	-	(129)	-
Other operating expenses	(155)	-	(155)	-
Profit before zakat and tax expense	(284)	-	(284)	-
Zakat	-	-	-	-
Taxation	74	-	74	-
Profit after zakat and tax expense	(210)	-	(210)	-

Net income from Islamic banking business as reported in the income statements of the Group is derived as follows :-

Income derived from investment of depositors' funds	611	-	611	-
Income attributable to the depositors	(740)	-	(740)	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
	(129)	-	(129)	-

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A26. Operations of Islamic Banking (Cont'd)

(c) Deposits from customers

	OSKIB As at 30/6/2008 RM'000	OSKIB As at 31/12/2007 RM'000
(i) By type of deposit		
Mudharabah general deposits	<u>261,282</u>	-
(ii) By type of customer		
Government and statutory bodies	3,000	-
Domestic non-bank financial institutions	158,254	-
Business enterprises	<u>100,028</u>	-
	<u>261,282</u>	-

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

PART B - Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A, of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")

B1. Performance review of the Company and its principal subsidiaries for the current quarter and year to date

The OSK Group recorded a satisfactory performance for Q2 2008 despite the weak market condition. For the period under review, the Group recorded pre-tax profit of RM72.09 million. The Group's recorded profit after tax (after minority interest) of RM59.03 million as compared to RM85.81 million in the corresponding period last year, which translated into earnings per share of 9.10 sen and 13.31 sen respectively. The Group attained revenues of RM206.05 million for the same period, representing a decline of 34% as compared to RM312.51 million for the corresponding period in 2007.

In the period under review, the Group recorded a reversal of provision for legal compensation and interest costs of RM59.22 million for a litigation case. The Group also excluded operating profit of RM41.28 million due to the effects of a one-off restatement in accounting policy for the mark-to-market valuation of derivatives and securities in accordance with the Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia. Furthermore, the Group also provided for impairment loss on debt securities of RM22.00 million in Q2 2008.

For the six-month period ended 30 June 2008, the Group recorded a pre-tax profit of RM137.26 million as compared to the previous corresponding period of RM253.55 million. The Group's revenue declined to RM434.50 million in the first half of 2008 as compared to RM600.51 million in the previous corresponding period.

The decline in the Group's performance in H1 2008 is in line with the slow down in the global capital markets activities. The global and regional capital markets started to slow down in the fourth quarter of 2007 as a result of the concerns surrounding the US and European markets. The expectations of a recession in the US, further subprime-related write-downs by global banks and the inflationary environment driven by record crude oil and other commodity prices have collectively caused uncertainties in the global capital markets. These concerns and uncertainties persisted in Q2 2008, which adversely affected the Group's performance as well as other capital market intermediaries.

The main contributor to the Group's performance for H1 2008 was from OSK Investment Bank Berhad Group, which accounted for about 97% of the pre-tax profit. The investment banking segment recorded strong performance, particularly from derivatives and structured products, corporate finance, treasury and bridging loans.

The investment banking segment accounted for 29% of the Group's pre-tax profit and recorded 37% decline as compared to H1 2007 performance, which was partly due to impairment loss of RM22.00 million provided in Q2. As stated earlier, a sum of RM41.28 million arising from derivatives and securities was excluded from this year's operating profit and credited into opening retained profits as at 1 January 2008 in accordance with the requirements of BNM/GP8 issued by BNM. Otherwise, the investment banking segment would have recorded a growth of 28% for H1 2008 as compared to last year's corresponding period. The equities and futures business contributed about 61%, of which 47% is derived from the Malaysian business and the balance 14% from Singapore and Hong Kong. The unit trust and equity financing business continued to contribute positively with pre-tax profit of RM6.77 million and RM1.86 million respectively.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B1. Performance review of the Company and its principal subsidiaries for the current quarter and year to date (Cont'd)

The properties segment recorded pre-tax profit of RM9.17 million for H1 2008, which almost doubled last year's corresponding period contribution, while the private equity recorded losses of RM2.94 million as there was no major divestment of investments undertaken in the first six months of the year.

B2. Material change in quarterly profit before taxation for the current quarter compared with the immediate preceding quarter

The Group recorded a pre-tax profit of RM72.09 million for Q2 2008, compared to RM65.18 million achieved in the immediate preceding quarter. The Group was able to maintain a satisfactory performance despite the slow down in the regional capital markets activities due to the concerns surrounding the global capital markets.

B3. Current year prospects and progress on previously announced revenue or profit forecast

(a) Current year prospects

(Commentary on the rest of year)

The regional capital markets started to slow down in the fourth quarter of 2007 as a result of the concerns surrounding the US and European markets. The expectations of a recession in the US, further sub prime-related write-downs by global banks and the possible interest rate hike due to inflationary environment driven by record crude oil and other commodity prices have collectively caused uncertainties in the global capital markets.

Due to the continued uncertainties and slow down in the global and regional capital markets, the Group expects 2H 2008 to be challenging as well for the capital markets in which we operate. Trading volumes may be lower, and capital market activities may slow down further. However, the OSK Group remains fundamentally strong with healthy financials.

While the equities and futures business still relies heavily on the volume of trading in the regional markets, the Group's other businesses may help to buffer the slowdown in trading volume. The pipeline of mandates in the Malaysian corporate finance and debt capital markets business is healthy, the treasury business has plenty of room to grow and the derivatives business remains profitable. Furthermore, we expect maiden contributions from the Singapore and Hong Kong investment banking businesses to help buffer the performance of their respective outfits.

In Malaysia, OSKIB has commenced its Islamic banking business in April 2008, which will further expand the Group's income stream. The Group has also completed its expansion into Indonesia in August this year. These investments will strengthen the Group's regional infrastructure and the Board believes that they will enhance future performances of the Group and increase the shareholders' value in the long term. Moreover, with a prudent management approach coupled with the Group's well-diversified capital market products and services as well as its regional forays, the Board is confident that the Group will be able to sustain its performance through the market turbulence and maintain satisfactory results for 2008.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B3. Current year prospects and progress on previously announced revenue or profit forecast (Cont'd)

(b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced

There was no revenue or profit forecast announced by the Company.

B4. Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced

There was no revenue or profit forecast announced by the Company.

B5. Profit forecast / profit guarantee

There was no profit forecast or profit guarantee issued by the Company.

B6. Income tax expense

	Current quarter ended 30/6/2008 RM'000	Current year to date ended 30/6/2008 RM'000
In respect of the current quarter / year to date		
- Malaysian income tax	23,904	28,561
- Foreign income tax	1,532	3,768
- Deferred taxation	(18,081)	(4,692)
	<hr/> 7,355	<hr/> 27,637
In respect of the prior year		
- Malaysian income tax	96	89
- Foreign income tax	(14)	(1,015)
	<hr/> <hr/> 7,437	<hr/> <hr/> 26,711

The effective tax rate for the year to date is lower than the statutory tax rate of 26% mainly due to reversal of provision for legal costs and compensation which offset against certain expenses incurred are non-allowable for tax deduction.

B7. Sales of unquoted investments and / or properties

There were no sales of unquoted investments except for the venture capital businesses which have been exempted from disclosures on the net effect of sale of unquoted securities during the current year to date. There were no sales of properties during the current year to date.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B8. Purchase or disposal of quoted securities

Particulars of purchase and disposal of quoted securities by the Group are as follows:

- (a) Total purchase consideration, sale proceeds and profits results arising therefrom (except for the subsidiary companies engaged in stockbroking, investment banking and venture capital businesses which have been exempted from this disclosure):

	Current quarter ended 30/6/2008 RM'000	Current year to date ended 30/6/2008 RM'000
Total purchase consideration	<u>25,095</u>	<u>48,384</u>
Total sale proceeds	<u>23,159</u>	<u>56,773</u>
Net loss on disposals	<u>(1,152)</u>	<u>(4,044)</u>

- (b) Investments in quoted securities (including listed associated companies) as at 30 June 2008 (except for the subsidiary companies engaged in stockbroking and investment banking which have been exempted from this disclosure):

	Associated companies RM'000	Other investments RM'000
Quoted shares at cost:		
In Malaysia	141,765	21,941
Outside Malaysia	<u>5,588</u>	<u>1,671</u>
	<u>147,353</u>	<u>23,612</u>
Fair value adjustments	-	1,818
Share of post-acquisition reserves	<u>50,490</u>	-
	<u>197,843</u>	<u>25,430</u>
Market value of quoted shares:		
In Malaysia	79,448	23,869
Outside Malaysia	<u>2,342</u>	<u>1,561</u>
	<u>81,790</u>	<u>25,430</u>

Investments in associated companies comprise investments in Green Packet Berhad, MNC Wireless Berhad, eBworx Berhad, mTouche Technology Berhad and GMO Limited.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B9. Status of corporate proposals and utilisation of proceeds

(a) Status of corporate proposals announced but not completed as at 22 August 2008

- (i) Business merger of OSK Trustees Berhad ("OSKT") and UOB Trustee (Malaysia) Bhd. ("UOBT") ("the Trustees Business Merger")

On 16 January 2008, OSKT and UOBT entered into a Business Merger Agreement ("BMA") with the intention that the business of UOBT to be transferred and merged with the business of OSKT.

OSKT and UOBT, are both public company limited by shares incorporated in Malaysia to carry on the business of a trust company. Presently, OSKT has an authorised share capital of RM10.0 million comprising of 1.0 million ordinary shares of RM10 each and 900,000 ordinary shares of RM10 each which is partly paid-up to RM5 each have been issued. UOBT has an authorised and issued share capital of RM1.0 million comprising of 100,000 ordinary shares of RM10 each which is partly paid-up to RM5 each.

The issued and paid-up share capital of both OSKT and UOBT are held by the following shareholders in equal proportions

- a) OSK Holdings Berhad - 20%;
- b) OSK Investment Bank Berhad - 20%;
- c) OSK Nominees (Tempatan) Sdn. Berhad - 20%;
- d) TCL Nominees (Tempatan) Sdn. Berhad - 20%; and
- e) KE-ZAN Nominees (Tempatan) Sdn. Berhad - 20%.

The Trustees Business Merger is a strategic move by OSKH Group to tap into the larger operational and customer base arise from the acquisition of UOBT from United Overseas Bank (Malaysia) Berhad Group, which was completed in November 2007. The operations of OSKT and UOBT are combined to achieve the business and operational synergies and economies of scale.

On 25 June 2008, the High Court of Malaya granted of a Vesting Order to facilitate the transfer of the business of UOBT to OSKT and the transfer of the business from UOBT to OSKT shall be completed within 90 days.

The Trustees Business Merger is subject to:

- a) the approval of Companies Commission of Malaysia, Securities Commission and/or other relevant authorities; and
- b) the shareholders' approvals of OSKT and UOBT to the BMA.

The Trustees Business Merger is expected to be completed by the third quarter of 2008.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B9. Status of corporate proposals and utilisation of proceeds (Cont'd)

- (ii) Proposed distribution-in-specie of up to 120,066,400 ordinary shares of RM1.00 each in OSK Property Holdings Berhad ("OSKPH") to shareholders of the Company ("Proposed Distribution")

On 14 March 2008, the Company proposed to undertake a Proposed Distribution through a reduction of its share premium account to be effected pursuant to Section 64 of the Companies Act, 1965 and a reduction in the retained earnings account of the Company.

The Proposed Distribution would involve a distribution of up to 120,066,400 OSKPH Shares held by the Company representing approximately 60.03% equity interest held in OSKPH as at 5 March 2008 to its shareholders which appear on the record of depositors of the Company at an entitlement date to be determined later.

As a condition for granting OSK Investment Bank Berhad, a wholly-owned subsidiary of the Company, a licence to operate as an investment bank, Bank Negara Malaysia and the Securities Commission ("SC") have imposed a condition that OSKH as the holding company of OSKIB has to divest its holding in OSKPH by 31 December 2008. The Proposed Distribution will allow the Company to comply with the said condition.

The Proposed Distribution is also in line with the Company's intention to streamline the business activities and assets base of the Company and its subsidiary companies by focusing on the its core activities which is in the provision of stockbroking, investment banking, fund management and other financial services and exiting from the property development activities currently undertaken by OSKPH.

In addition, the Proposed Distribution is consistent with the Company's intention to unlock shareholders value and provide returns to its shareholders by distributing assets that no longer form part of the Group's core business activities. The Proposed Distribution would reward shareholders of the Company through their direct equity participation in OSKPH.

On 5 May 2008, the Securities Commission ("SC") and SC (on behalf of Foreign Investment Committee) have approved the Proposed Distribution and the Company requires to fulfil certain conditions. The shareholders of the Company have approved the Special Resolution pertaining to the Proposed Distribution at the Extraordinary General Meeting held on 2 July 2008.

On 5 August 2008, the High Court of Malaya granted the order under section 64 of the Companies Act 1965 confirming the proposed reduction of the share premium account and the retained earnings of the Company by an amount not exceeding RM241.174 million (representing the net carrying value of investment in the 120,066,400 ordinary shares in OSK Property Holdings Berhad) held by the Company pursuant to the Proposed Distribution.

The Proposed Distribution will take effect on 11 August 2008, where the sealed copy of the order granted by the High Court of Malaya under Section 64 of the Companies Act 1965 confirming the proposed reduction of the share premium account and the retained earnings of OSKH was extracted on 8 August 2008 and was filed with the Companies Commission of Malaysia.

An announcement on the final basis of distribution and the entitlement date of the Proposed Distribution will be announced in due course. The Proposed Distribution is expected to be completed by third quarter of 2008.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B9. Status of corporate proposals and utilisation of proceeds (Cont'd)

(iii) Proposed Subscription of Shares by OSKIB in Seabank Securities Joint Stock Company ("SEABS") and Termination

On 25 April 2008, OSKIB, a wholly-owned subsidiary company of the Company, entered into a conditional Shares Subscription Agreement ("SSA") with SEABS for the proposed subscription of the Subscription Shares at par value of VND10,000 each, representing 49% of the enlarged share capital of SEABS for a total subscription price of VND220,500,000,000 (equivalent to approximately RM42,990,836 based on an exchange rate of RM1:VND5,129) in cash ("Proposed Subscription in SEABS").

Following that, OSKIB has also on even date entered into a shareholders agreement ("SA") with two of the substantial shareholders of SEABS to establish the relationship as shareholders of SEABS and to outline their respective obligations in respect to affairs and dealings with SEABS. The SA will only take effect upon completion of the SSA.

SEABS is established on 12 December 2006 in Vietnam, a securities company licensed by the State Securities Committee of Vietnam to undertake securities brokerage and dealing, provision of corporate finance advisory, securities custody, investment consultancy and other related services. SEABS is a member of HCM Securities Exchange and Hanoi Securities Exchange. SEABS's headquarter is based in Hanoi and it has a branch in Ho Chi Minh city.

OSKIB has given notice to SEABS to terminate the conditional Shares Subscription Agreement ("SSA"). Pursuant to the SSA, the termination will take effect on 21 July 2008. Neither party will have further rights and obligations towards the other immediately on such termination.

(iv) Proposed Establishment of Commercial Bank in Cambodia by OSKIB

On 23 April 2008, Bank Negara Malaysia approved OSKIB's proposal to establish a wholly-owned subsidiary in Cambodia to undertake commercial banking activities.

On 18 July 2008, the Minister of Commerce of the Kingdom of Cambodia has approved and issued a certificate for the incorporation of OSK Indochina Bank Limited ("OSKIBL") effective 9 July 2008.

OSKIBL has an issued and paid-up share capital of USD13,000,000.00 divided into 13,000,000 ordinary shares of USD1.00 each, all of which are owned by the Company's wholly-owned subsidiary, OSKIB. Upon incorporation, OSKIBL has become a wholly-owned subsidiary of OSKIB and an indirect subsidiary of OSKH.

As required by the Central Bank of Cambodia, the National Bank of Cambodia, OSKIBL targets to commence business operations by 31 October 2008.

(b) **The status of utilisation of proceeds raised by the Company**

There were no proceeds raised from any corporate proposal by the Company.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B10. Borrowings

The Group's borrowings and debt securities (denominated in RM unless otherwise stated) at the end of the current year to date are as follows:-

	RM'000
Deposits from customers as disclosed in A10	3,076,590
Obligations on securities sold under repurchase agreements	245
Borrowings	433,637
	<u>3,510,472</u>
Borrowings consist of:	
<u>Short term:</u>	
<i>Unsecured</i>	
Bank overdrafts denominated in SGD	56
Revolving credits	214,501
Bank loans denominated in HKD	44,173
	<u>258,730</u>
<i>Secured</i>	
Syndicated term loan	25,000
Term loan	1,250
BaIDS	24,414
Finance lease payables denominated in SGD	656
	<u>51,320</u>
	<u>310,050</u>
<u>Long term:</u>	
<i>Secured</i>	
Syndicated term loan	31,285
Term loans	68,371
BaIDS	23,695
Finance lease payables denominated in SGD	236
	<u>123,587</u>

B11. Off balance sheet financial instruments

As at 22 August 2008 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group did not enter into any contract involving financial instruments with off balance sheet risk other than as disclosed in A24.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B12. Material litigation

As at 22 August 2008 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), save as disclosed below, the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

Seremban High Court Suit No. 22-216-2003

Kamal, Lokman & Mustakim Holdings Sdn. Bhd. (“Chargor”) and Ahmad Azari bin Mohd. Daud (“Azari”) (collectively referred to as the “Plaintiffs”) vs OSK Capital Sdn. Bhd. (“OSKC”) and OSK Nominees (Tempatan) Sdn. Berhad. (“OSKNT”) and Another (collectively referred to as the “Defendants”)

The Plaintiffs commenced an action against the Defendants on 14 November 2003 seeking, inter-alia, a declaration that a charge registered in favour of OSKC is void, damages in the sum of RM20,000,000, general damages, interest and costs and claiming against OSKC/OSKNT for negligence, breach of duty, fiduciary duty and unjust enrichment in relation to a facility of RM13,000,000 granted to Azari by OSKC. OSKC and OSKNT have filed their defence on 17 February 2004.

OSKC and OSKNT have also filed an application to strike out the Plaintiffs’ Writ of Summons and Statement of Claim on the basis that the filing of the action by the Plaintiffs was frivolous and vexatious. The Court has on 13 March 2008 struck out with costs the Plaintiffs’ Writ of Summons and Statement of Claim. The Chargor has since filed a Notice of Appeal against the said decision. The said Notice of Appeal which was fixed for hearing on 14 July 2008 has now been adjourned to 10 November 2008.

OSKC and OSKNT have also filed an application under Order 14A of the Rules of the High Court, 1980 to dispose of the Plaintiffs’ prayers in seeking the declarations that the charges are inequitable and/or illegal in light of the order for sale and successful auction of the charged land. The Order 14A application which was adjourned for mention on 14 July 2008 has been further adjourned to 10 November 2008.

OSKC and OSKNT had filed an application for security for costs against the Chargor on 23 August 2006 and the said application was dismissed by the Court on 6 April 2007. The Plaintiffs have on 4 May 2007 filed the notice to attend case management before trial.

The solicitors in charge of this matter are of the view that OSKC and OSKNT stand a reasonable chance of success in dismissing the Plaintiffs’ claim.

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B13. Dividend

- (a) The Board of Directors adopted a conservative approach by recommending an interim dividend of 5.0 sen per share less 26% income tax in respect of the current year to date as compared to the previous corresponding period of 10.0 sen per share less 27% income tax in view of the slow down in the economy. The entitlement date to the interim dividend shall be determined by the Board of Directors at the subsequent date.
- (b) Total dividend for the current year to date is 5.0 sen per share less 26% income tax.

B14. Earnings Per Share (“EPS”) attributable to equity holders of the Company

	(Restated)	(Restated)		(Restated)
	Current quarter ended 30/6/2008	Comparative quarter ended 30/6/2007	Current year to date ended 30/6/2008	Preceding year to date ended 30/6/2007
Basic EPS				
Profit attributable to equity holders of the Company (RM'000)	59,026	85,814	99,759	161,733
Weighted average number of ordinary shares in issue ('000 shares)	648,925	644,936	648,628	633,173
Basic EPS (sen)	9.10	13.31	15.38	25.54
Diluted EPS				
Profit attributable to equity holders of the Company (RM'000)	59,026	85,814	99,759	161,733
Weighted average number of ordinary shares in issue ('000 shares)	648,925	644,936	648,628	633,173
Effect of dilution on assumed exercise of Warrants B and options granted under ESOS ('000 shares)	1,928	37,427	2,440	26,405
Adjusted weighted average number of ordinary shares in issue and issuable ('000 shares)	650,853	682,363	651,068	659,578
Diluted EPS (sen)	9.07	12.58	15.32	24.52

OSK HOLDINGS BERHAD (207075-U)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

B15. Auditors' report of preceding annual financial statements

The auditors' report of the Group's preceding year financial statements was not qualified.

By Order of the Board

Ong Leong Huat @ Wong Joo Hwa
Director

Kuala Lumpur
29 August 2008

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2008

A19. SEGMENTAL INFORMATION

The Group is organised into the following major business segments :

1. Investment banking - Debt capital market, corporate advisory, treasury, derivatives and structured products, loans, advances and financing and offshore investment banking.
2. Equity & nominees - Stockbroking, nominee services and related services both local and overseas.
3. Futures & options - Futures and options broking.
4. Venture capital - Provision of venture capital services and investee entities, also known as private equity business.
5. Capital financing - Licensed money lender for initial public offers and share option schemes.
6. Property development - Development of residential and commercial properties.
7. Property investment - Management and letting of properties.
8. Unit trust - Management of unit trust funds.
9. Holding entities - Investment holding companies.
10. Others - Not significant to be separately disclosed.

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the companies concerned and are not more favourable than those arranged with independent third parties have been eliminated to arrive at the Group's results.

A19. SEGMENTAL INFORMATION (Cont'd)

Secondary reporting format - Geographical Segments

In presenting information by geographical locations, segment revenue is based on geographical locations of operations. Segment assets are based on the geographical location of assets.

	Malaysia RM'000	Singapore RM'000	China and Hong Kong RM'000	Total RM'000
<u>CURRENT YEAR TO DATE ENDED 30 JUNE 2008</u>				
Revenue	336,982	73,891	23,627	434,500
Profit before taxation	119,693	18,643	(1,074)	137,262
Total carrying amount of segment assets	5,997,792	1,710,579	273,439	7,981,810
Total capital expenditure	14,115	462	433	15,010
<u>PRECEDING YEAR TO DATE ENDED 30 JUNE 2007 (Restated)</u>				
Revenue	457,167	111,561	31,782	600,510
Profit before taxation	205,836	39,152	8,562	253,550
Total carrying amount of segment assets	4,408,548	3,675,600	580,942	8,665,090
Total capital expenditure	4,864	1,771	393	7,028

A23. Commitments and contingencies

The risk-weighted exposures of the Group are as follows:

	As at 30/6/2008			As at 31/12/2007		
	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
Obligations under underwriting agreements	365,130	182,565	182,565	322,357	161,179	161,179
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	982,225	1,362	1,362	1,174,018	-	-
Foreign exchange related contracts:						
- less than one year	22,141	22,141	4,428	-	-	-
- one year to less than five years	-	-	-	-	-	-
Interest rate related contracts:						
- one year to less than five years	80,000	3,200	640	-	-	-
Others**	149,468	-	-	24,309	-	-
	1,598,964	209,268	188,995	1,520,684	161,179	161,179

* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's Guidelines.

** Inclusive of VND 22,500 million (RM42,770,000 equivalent) for the subscription of shares in Seabank Securities Joint Stock Company, that was terminated on 21 July 2008.

OSKIB implemented its Basel II weighted assets computation under the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. OSKIB has adopted the Standardised Approach for credit risk and market risk and Basic Indicator Approach for operational risk computation.

The comparative figures have not been restated to comply with Basel II as the requirements for Basel II risk weighted assets computation took effect from 1 January 2008.

A24. Interest/profit rate risk

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 30 June 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	541,997	216	2,691	573	-	194,490	-	739,967	0.41
Deposits and placements with banks and other financial institutions	1,055,880	-	-	-	-	-	-	1,055,880	3.51
Securities portfolio									
<i>Securities held-for-trading</i>	-	-	-	-	-	-	80,810	80,810	4.90
<i>Securities held-to-maturity</i>	100,000	-	60,989	-	-	-	-	160,989	4.14
<i>Securities available-for-sale</i>	165,648	157,414	172,855	751,670	270,669	91,856	-	1,610,112	5.21
Loans, advances and financing									
<i>Performing</i>	65,779	655,964	228,651	1,308	-	143,288	-	1,094,990	7.60
<i>Non-performing</i>	22,422	7	-	-	-	-	-	22,429	8.00
Other assets	-	-	100	-	-	108,552	1,959,849	2,068,501	3.30
Other non-interest sensitive balance	-	-	-	-	-	1,171,251	-	1,171,251	
Total Assets	1,951,726	813,601	465,286	753,551	270,669	1,709,437	2,040,659	8,004,929	

A24. Interest/profit rate risk (Cont'd)

As at 30 June 2008	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES									
Deposits from customers	1,502,789	278,411	624,380	671,010	-	-	-	3,076,590	3.58
Obligations on securities sold under repurchase agreements	245	-	-	-	-	-	-	245	3.20
Borrowings	260,214	24,941	24,942	77,420	46,121	-	-	433,637	2.95 to 8.55
Other non-interest sensitive balance	-	-	-	-	-	2,603,017	-	2,603,017	
Total Liabilities	1,763,248	303,352	649,322	748,430	46,121	2,603,017	-	6,113,489	
Shareholders' funds	-	-	-	-	-	1,518,540	-	1,518,540	
Minority interests	-	-	-	-	-	372,900	-	372,900	
Total Equity	-	-	-	-	-	1,891,440	-	1,891,440	
Total Liabilities and Equity	1,763,248	303,352	649,322	748,430	46,121	4,494,457	-	8,004,929	
On-balance sheet interest sensitivity gap	188,478	510,250	(184,036)	5,121	224,548	(2,785,020)	2,040,659	-	
Off-balance sheet interest sensitivity gap	-	-	-	(80,000)	-	-	-	(80,000)	
Total Interest Sensitivity Gap	188,478	510,250	(184,036)	(74,879)	224,548	(2,785,020)	2,040,659	(80,000)	

A24. Interest/profit rate risk

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 31 December 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	643,088	-	389	573	-	290,437	-	934,487	0.79
Deposits and placements with banks and other financial institutions	426,330	50,000	-	-	-	-	-	476,330	3.51
Securities portfolio									
<i>Securities held-for-trading</i>	-	-	-	-	-	-	142,244	142,244	4.90
<i>Securities held-to-maturity</i>	100,000	11,122	-	-	-	-	-	111,122	10.00
<i>Securities available-for-sale</i>	38,640	49,851	295,468	510,908	228,990	80,462	-	1,204,319	5.18
Loans, advances and financing									
<i>Performing</i>	36,691	832,647	246,448	75,477	-	(4,079)	-	1,187,184	4.5 to 8.00
<i>Non-performing</i>	-	-	1,503	6,861	4,459	-	-	12,823	-
Other assets	-	-	-	100	-	41,530	3,074,791	3,116,421	3.60
Other non-interest sensitive balance	-	-	-	-	-	1,264,434	-	1,264,434	
Total Assets	1,244,749	943,620	543,808	593,919	233,449	1,672,784	3,217,035	8,449,364	

A24. Interest/profit rate risk (Cont'd)

As at 31 December 2007	Non-trading book					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES									
Deposits from customers	637,155	53,953	354,723	1,027,767	-	-	-	2,073,598	3.10 to 3.95
Obligations on securities sold under repurchase agreements	241	-	-	-	-	-	-	241	3.20
Borrowings	215,367	20,621	25,795	120,572	51,500	-	-	433,855	5.49
Other non-interest sensitive balance	-	-	-	-	-	4,068,370	-	4,068,370	
Total Liabilities	852,763	74,574	380,518	1,148,339	51,500	4,068,370	-	6,576,064	
Shareholders' funds	-	-	-	-	-	1,496,038	-	1,496,038	
Minority interests	-	-	-	-	-	377,262	-	377,262	
Total Equity	-	-	-	-	-	1,873,300	-	1,873,300	
Total Liabilities and Equity	852,763	74,574	380,518	1,148,339	51,500	5,941,670	-	8,449,364	
On-balance sheet interest sensitivity gap	391,986	869,046	163,290	(554,420)	181,949	(4,268,886)	3,217,035	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	-	
Total Interest Sensitivity Gap	391,986	869,046	163,290	(554,420)	181,949	(4,268,886)	3,217,035	-	