



CONTENTS

NOTICE OF ANNUAL GENERAL MEETING	2
STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING	6
FIVE-YEAR FINANCIAL SUMMARY	7
CORPORATE INFORMATION	8
MILESTONES AND EVENTS 2005	9
MANAGEMENT TEAM	10
CORPORATE STRUCTURE	11
DIRECTORS' PROFILE	12
CHAIRMAN'S STATEMENT	15
2005 ECONOMIC REVIEW	18
STOCK MARKET REVIEW 2005	21
STATEMENT OF CORPORATE GOVERNANCE	25
AUDIT COMMITTEE REPORT	31
STATEMENT OF INTERNAL CONTROL	34
ADDITIONAL DISCLOSURES	37
STATEMENT OF DIRECTORS' RESPONSIBILITIES	40
FINANCIAL STATEMENTS	41
LIST OF PROPERTIES	131
STATEMENT OF DIRECTORS' INTERESTS	135
STATEMENT OF SHAREHOLDINGS	137
STATEMENT OF WARRANT B HOLDINGS	139
ANNEXURE A	
NOTICE OF NOMINATION TO CHANGE AUDITORS	141
FORM OF PROXY	

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN THAT THE SIXTEENTH ANNUAL GENERAL MEETING OF OSK HOLDINGS BERHAD WILL BE HELD AT THE AUDITORIUM, 11TH FLOOR, PLAZA OSK, JALAN AMPANG, 50450 KUALA LUMPUR ON THURSDAY, 6 APRIL 2006 AT 3:30 P.M. TO TRANSACT THE FOLLOWING BUSINESS:-

AGENDA

1. To receive and adopt the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2005. **Resolution 1**
2. To sanction the declaration of a final dividend of 5 sen per share less income tax of 28% in respect of the financial year ended 31 December 2005. **Resolution 2**
3. To approve the payment of Directors' fees of RM215,000 for the financial year ended 31 December 2005. **Resolution 3**
4. To re-elect the following Directors who retire by rotation in accordance with Article 102(1) of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (a) Dato' Nik Mohamed bin Nik Yahya **Resolution 4**
 - (b) Mr Wong Chong Che **Resolution 5**
 - (c) Mr Wong Chong Kim **Resolution 6**
5. To consider and, if thought fit, pass the following resolution :-

"THAT pursuant to Section 129(6) of the Companies Act, 1965, Dato' Mohamed Tarmizi bin Mohd Tahir be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 7**
6. To appoint the Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Notice of Nomination from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs Ernst & Young, who have given their consent to act, for appointment as Auditors and of the intention to propose the following Ordinary Resolution :

"THAT Messrs Ernst & Young be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Peter I. M. Chieng & Co. and to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration." **Resolution 8**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions:

7. **Authority to allot and issue shares**

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 9**

8. **Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature and new mandate for additional recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate")**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions involving the interests of the Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiary companies ("Related Parties") as specified in Section 2.1.1 of the Circular to Shareholders dated 14 March 2006, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out on an arm's length basis, in the ordinary course of business and on normal commercial terms which are not more favorable to the Related Parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders

AND THAT the shareholders' mandate, unless revoked or varied by the Company in a general meeting, shall take effect from the date of the passing of this Ordinary Resolution and will continue in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse unless authority is renewed by a resolution passed at the next Annual General Meeting;
- (b) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by resolution passed by shareholders in a general meeting before the next Annual General Meeting whichever is the earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

Resolution 10

9. **Proposed renewal of authorisation to enable OSK Holdings Berhad to purchase up to 10% of the issued and paid-up ordinary share capital of the Company pursuant to Section 67A of the Companies Act, 1965**

"THAT, subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased does not exceed 10 per cent of the total issued and paid-up share capital of the Company as quoted on the Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company's audited retained profit of RM342.1 million and/or the share premium account of RM61.0 million for the financial year ended 31 December 2005 at the time of the purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.



AND THAT the authority conferred by this resolution will commence immediately and will, subject to renewal thereof, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company or any person before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by the Bursa Securities or any other relevant authorities;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities."

Resolution 11

10. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Notice is hereby given that the final dividend of 5 sen per ordinary share less 28% income tax for the year ended 31 December 2005, if approved by the shareholders at the Sixteenth Annual General Meeting, will be payable on 3 May 2006 to shareholders whose names appear in the Register of Members on 12 April 2006.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 7 April 2006 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 12 April 2006 in respect of transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

TAN MUI LIAN (MAICSA 7003356)

Company Secretary

Kuala Lumpur

14 March 2006

NOTES:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportion of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

5. Explanatory Notes on Special Business:-

(i) Resolution 9 - Authority to Allot and Issue Shares

The Resolution 9, if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

(ii) Resolution 10 - Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

Please refer to the Circular to Shareholders dated 14 March 2006 for further information.

(iii) Resolution 11 - Proposed Renewal of Authorisation to enable OSK Holdings Berhad to purchase up to 10% of the Issued and Paid-up Ordinary Share Capital of the Company pursuant to Section 67A of the Companies Act, 1965

Please refer to the Share Buy-Back Statement dated 14 March 2006 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election at the Sixteenth Annual General Meeting pursuant to Article 102(1) of the Company's Articles of Association.
 - i. Dato' Nik Mohamed bin Nik Yahya
 - ii. Mr Wong Chong Che
 - iii. Mr Wong Chong Kim
2. Director who is standing for re-appointment at the Sixteenth Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965.
 - i. Dato' Mohamed Tarmizi bin Mohd Tahir
3. Details of attendance of Directors at Board meetings.

There were 4 Board of Directors' Meetings held during the financial year ended 31 December 2005. The details of the attendance of the Directors holding office at the end of the financial year are as follows:-

Name of Directors	Attendance
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	4/4
Mr Ong Leong Huat @ Wong Joo Hwa	3/4
Dato' Nik Mohamed bin Nik Yahya	4/4
Mr Wong Chong Kim	4/4
Mr Wong Chong Che	4/4
Dato' Mohamed Tarmizi bin Mohd Tahir	3/4
Dr Choong Tuck Yew	4/4

4. Place, date and time of the Sixteenth Annual General Meeting.

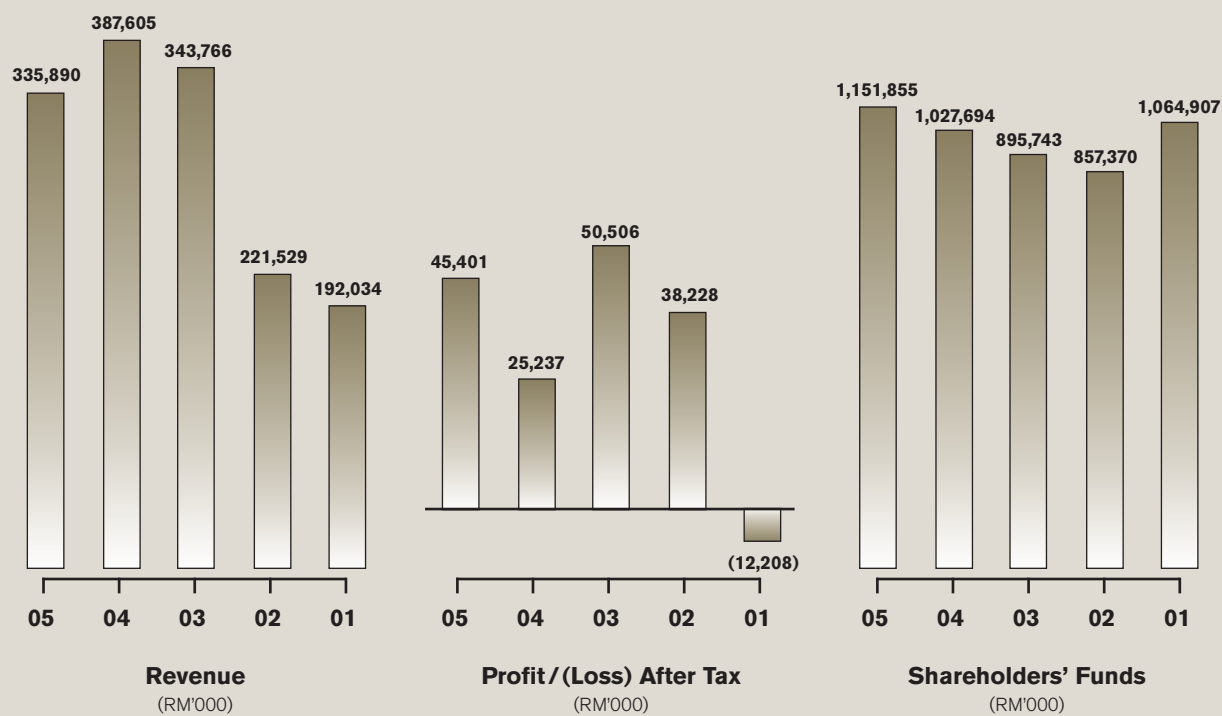
The Sixteenth Annual General Meeting is scheduled to be held on Thursday, 6 April 2006 at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur at 3.30 p.m.
5. Details of Directors who are standing for re-election and re-appointment in Agendas 4 and 5 of the Notice of the Sixteenth Annual General Meeting are set out in the Directors' Profile appearing on pages 12 to 14 of this Annual Report.

FIVE-YEAR FINANCIAL SUMMARY

IN RM'000	2005	2004	2003	2002	2001
Revenue	335,890	387,605	343,766	221,529	192,034
Profit/(Loss) Before Tax	71,515	59,069	80,273	50,707*	(9,337)
Profit/(Loss) After Tax and After Minority Interests	45,401	25,237	50,506	38,228*	(12,208)
No. of outstanding ordinary share	610,358	570,831	489,342	487,688	514,929
Shareholders' Funds	1,151,855	1,027,694	895,743	857,370*	1,064,907
Basic Earnings/(Loss) per Share (sen)	7.61	4.49	10.37	7.63*	(2.30)
Gross dividends per Share (sen)	7.50	(Note)	7.50	5.00	5.00
Net Tangible Assets per Share (RM)	1.61	1.49	1.45	1.36*	1.55*

* Restated

Note: Interim dividend of 5.00 sen per share and final dividend on the basis of 1 treasury share for every 45 ordinary shares held.



CORPORATE INFORMATION



BOARD OF DIRECTORS

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Ong Leong Huat @ Wong Joo Hwa
Dato' Nik Mohamed bin Nik Yahya
Wong Chong Kim
Wong Chong Che
Dato' Mohamed Tarmizi bin Mohd Tahir
Dr Choong Tuck Yew

- Executive Chairman
- Group Managing Director/Chief Executive Officer
- Executive Director
- Executive Director
- Non-Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director

MANAGEMENT BOARD/ EXECUTIVE COMMITTEE

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Dato' Nik Mohamed bin Nik Yahya
 Wong Chong Kim

AUDIT COMMITTEE

Dr Choong Tuck Yew - Chairman
 Dato' Mohamed Tarmizi bin Mohd Tahir
 Wong Chong Kim

NOMINATION COMMITTEE

Dr Choong Tuck Yew - Chairman
 Dato' Mohamed Tarmizi bin Mohd Tahir

REMUNERATION COMMITTEE

Dr Choong Tuck Yew - Chairman
 Dato' Mohamed Tarmizi bin Mohd Tahir
 Ong Leong Huat @ Wong Joo Hwa

COMPANY SECRETARIES

Tan Mui Lian (MAICSA 7003356)
 Chew Swee Inn (MAICSA 7008403)

AUDITORS

Peter I. M. Chieng & Co.
 Chartered Accountants
 No. 2-E (1st Floor)
 Jalan SS22/25
 Damansara Jaya
 47400 Petaling Jaya
 Selangor Darul Ehsan

PRINCIPAL BANKERS

Affin Bank Berhad
 Bumiputra-Commerce Bank Berhad
 Citibank Berhad
 HSBC Bank (M) Berhad
 Malayan Banking Berhad
 OCBC Bank (Malaysia) Berhad
 RHB Bank Berhad
 Southern Bank Berhad
 Standard Chartered Bank Malaysia Berhad
 United Overseas Bank (Malaysia) Berhad

SOLICITORS

Cheang & Ariff
 Chellam Wong
 Rajes Hisham Pillai & Gopal
 Sivananthan

REGISTRAR

Symphony Share Registrars Sdn Bhd
 Level 26, Menara Multi-Purpose, Capital Square
 No. 8, Jalan Munshi Abdullah
 50100 Kuala Lumpur
 Tel No. : 03-2721 2222
 Fax No. : 03-2721 2530

REGISTERED OFFICE/

PRINCIPAL BUSINESS ADDRESS

20th Floor, Plaza OSK
 Jalan Ampang, 50450 Kuala Lumpur
 Tel No. : 03-2333 8333
 Fax No. : 03-2175 3220

STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad

MILESTONES AND EVENTS 2005



12 April 2005 – Top Malaysian Small Cap Companies – 100 Hidden Jewels launch

OSK Research launches first publication to provide research coverage on 100 selected small cap stocks.

15 May 2005 – Women & Wealth Conference 2005

OSK organizes first conference for women focusing on wealth creation, preservation and distribution. It was officially launched by Her Majesty the Queen and attended by over 300 women participants.

19 May 2005 – OSK-UOB the first local fund manager to invest in foreign stocks

OSK-UOB becomes the first local fund manager to invest up to 30% of the OSK-UOB Equity Trust in foreign stocks following the relaxation of foreign exchange controls by Bank Negara.

7 June 2005 – OSK-UOB launches Capital Guaranteed Fund – Series 2

The CGF-S2 has an approved fund size of 450 million units valued at RM1 per unit.

23 June 2005 - OSK 188 – Celcom mobile financial portal launch

OSK joint-ventures with Celcom to provide real-time access to Bursa Malaysia and KLCI Futures market prices via a mobile device.

13 July 2005 - OSK-Bursa Malaysia Small Cap Roadshow launch

32 Small Cap companies selected from OSK's "Top Malaysian Small Cap Companies – 100 Hidden Jewels" were featured at this nationwide roadshow.

18 July 2005 - OSK expands to Hong Kong

OSK completed the acquisition of Prudence Securities Company Limited, now known as OSK Asia Securities Limited

19 July 2005 - OSK Trustees rebrands Will-writing division

OSK Trustees creates new Wills division to provide specialist Will-writing, custodian, professional executor and trustee services.

1 August 2005 - OSK Trustees signs agreement with AIA

OSK Trustees to use AIA agents to promote its will-writing and trustee services to AIA policy holders.

5 October 2005 - OSK Holdings forms Joint-Venture with Singapore's Ascendas

OSK signs JV agreement with Ascendas (Malaysia) Pte Ltd resulting in Ascendas-OSK Funds Management Sdn Bhd with OSK holding 51% and Ascendas holding 49%.

9 November 2005- OSK – UOB Global Equity Yield Fund launch

OSK-UOB launches 19th Fund and first non-Malaysian centric fund to enable investors to tap into emerging and developed markets in Asia and Europe

8 December 2005 - OSK Securities issues Big 20 Basket Call Warrants

The Big 20 Basket Call Warrants is a basket of 20 blue-chip counters from the KLCI representing 71% of the KLCI in market capitalization. It is the first 'zero-strike' Basket Call Warrants to be listed on Bursa Malaysia.

15 December 2005 - OSK Holdings proposed to acquire DMG & Partners Securities Pte Ltd

OSK enters into a conditional agreement to buy 51% of DMG & Partners Securities Pte Ltd from Su E-Min & Co. (Singapore) Pte.

MANAGEMENT TEAM



ASSET MANAGEMENT

Ameer Ali bin Vali Mohamed
Chief Executive Officer /
Chief Investment Officer

CAPITAL FINANCING

Voon Pak Keong
Deputy General Manager

CORPORATE ADVISORY

Joseph Soo Hong Weng
General Manager, Corporate Finance

DEBT CAPITAL MARKETS

Eddie Fong Loong Seng
Senior Vice President /
Head of Debt Capital Markets

DEALING & OPERATIONS

Chin Cheng Mei
Executive Director Dealing

Mohd Idris bin Ahmad Jais
Executive Director Dealing

Nik Halim @ Nik Ghazi bin Nik Daud
Executive Director Dealing

Diong King Kuang
Executive Director Operations

Foo Keah Keat
Executive Vice President / Head of
Derivatives & Structured Products

William Ng Ghim Ann
Executive Vice President, Business
Development

Nicky Ng Cheng Loong
Vice President /
Head of Institutional Sales

Andrew Ho Beng Teik
General Manager
Consumer Sales & Marketing

Yvonne Lee Kwee Yuen
Deputy General Manager
Credit Control & Supervision

Tan Tong Nam
Assistant General Manager /
Head of Operations

Dang Cheong Min
Manager, Risk Management

ESTATE PLANNING AND TRUSTEE

Ong Eu Jin
Chief Operating Officer

FUTURES & OPTIONS

Steven Lai Choon Lim
General Manager

INVESTMENT BANK (LABUAN)

Yeoh Kok Hoe
Chief Operating Officer

INVESTMENT RESEARCH

Kenny Yee Shen Pin
Head of Research

OSK188 ONLINE INVESTMENT CHANNEL

Jimmy Loke Kok Cheong
Director

PROPERTY DEVELOPMENT

Teong King Hua
General Manager

Tan Boon Chuan
Chief Operating Officer

UNIT TRUST MANAGEMENT

Ho Seng Yee
Chief Executive Officer /
General Manager

VENTURE CAPITAL

Eddie Yap Yuh Foh
Chief Operating Officer

WEALTH PLANNING

Qua Mu Im
Chief Operating Officer

GROUP SUPPORT SERVICES

Albert Tai Lee Chuan
Executive Director Compliance /
General Manager, Group Compliance

Woon Chong Boon
General Manager
Group Corporate & Legal Affairs

Liew Kim Weng
Deputy General Manager
Group Information Technology

Soon Yeong Chyan
Deputy General Manager
Group Finance & Accounts

Jeannie Yau Siew Foon
Deputy General Manager
Group Human Resource

Tong Seong Ann
Senior Manager, Group Internal Audit

NETWORK OFFICES

Chan Kong Ming
Chief Operating Officer (Southern
Region) / Head of Melaka Office

Kong Kek Hing
General Manager (Sarawak Region) /
Head of Kuching Office

Eddy Tan Kheak Geai
General Manager (Northern Region) /
Head of Penang Office

Alan Chong Chee Choong
General Manager /
Head of SS2, Petaling Jaya Office

Chi On Kang
General Manager /
Head of Johor Bahru Office

Shirley Wong I Kiew
General Manager /
Head of Kuantan Office

Wong Eng Kui
General Manager /
Head of Ipoh Office

Shiak Vui Ming
Assistant General Manager /
Head of Kota Kinabalu Office

OSK ASIA - HONG KONG
Hui Chiu Chung, Stephen, JP
Group Managing Director
OSK Asia Holdings Limited

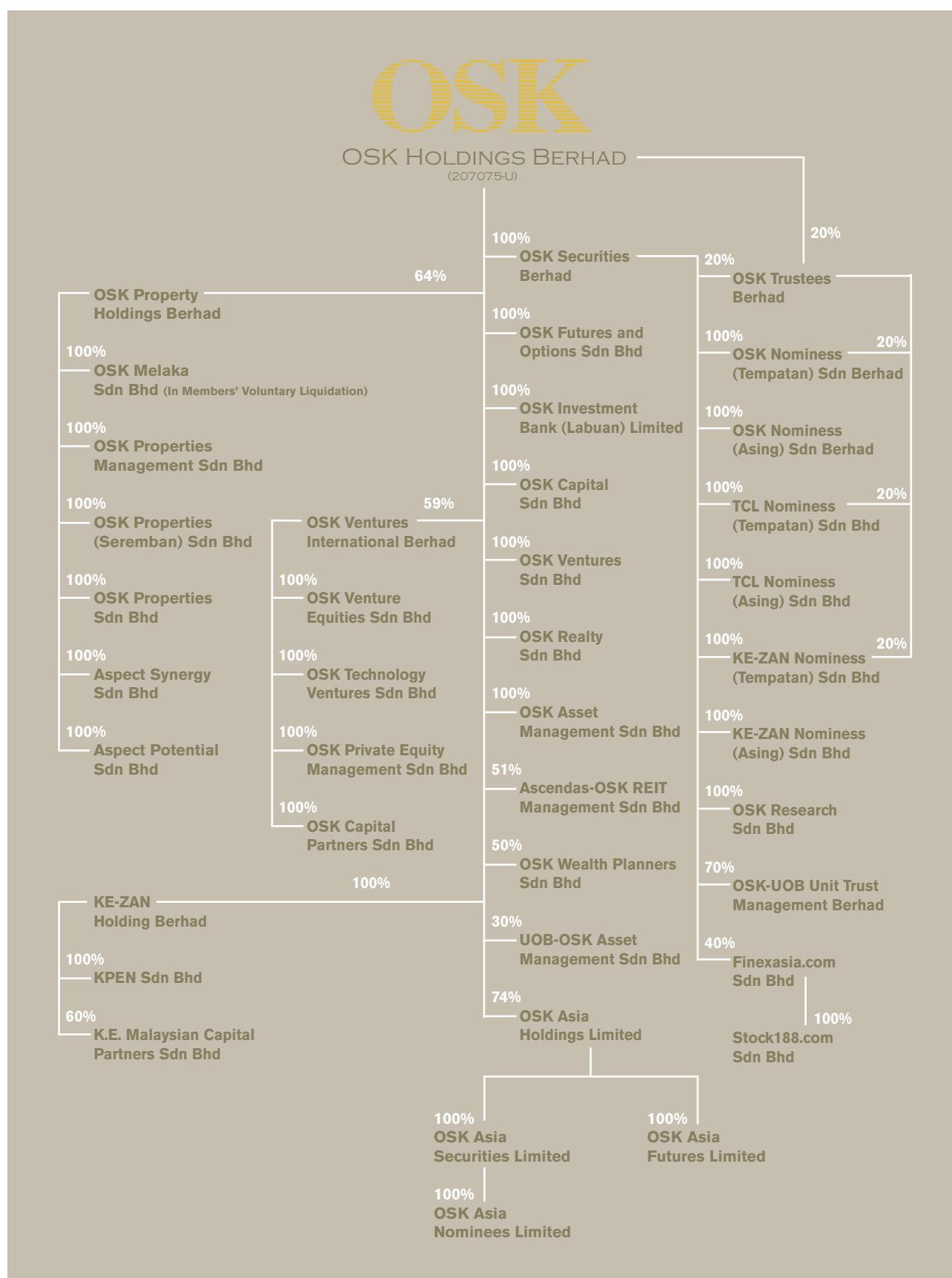
Au Kim Fung, Allen
Managing Director
OSK Asia Securities Ltd

Choy Yin Leng, Tina
General Manager, Operations
OSK Asia Holdings Limited

Tsang Siu Hung, Simon
Executive Director
OSK Asia Futures Limited

Sui Ming Fai, Robin
Executive Director
OSK Asia Holdings Limited

CORPORATE STRUCTURE



DIRECTORS' PROFILE



EXECUTIVE CHAIRMAN

Dato' Nik Mohamed Din bin Datuk Nik Yusoff, aged 63, a Malaysian, is the Executive Chairman of OSK Holdings Berhad ("OSKH"). He was appointed to the Board of the Company on 12 January 1998.

Dato' Nik Mohamed Din is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1968. Dato' Nik Mohamed Din was the Chairman and Executive Chairman of Bursa Malaysia Securities Berhad for 12 years from 1985. He had previously served as a Magistrate for the Malaysian Judicial Services in 1969. He joined Messrs Mah, Kok and Din as a lawyer for 13 years before assuming the appointment as the Executive Chairman of OSK Securities Berhad in 1984.

Dato' Nik Mohamed Din is also Executive Chairman of OSK Property Holdings Berhad and OSK Ventures International Berhad. He is also a director in Jerasia Capital Berhad and QBE Insurance (Malaysia) Berhad.

Dato' Nik Mohamed Din is the brother-in-law of Dato' Nik Mohamed bin Nik Yahya. He has no conflict of interest other than those disclosed

under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Nik Mohamed Din attended all the four (4) Board meetings of the Company held during the financial year.

GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER (CEO)

Ong Leong Huat @ Wong Joo Hwa, aged 62, a Malaysian, is the Group Managing Director/Chief Executive Officer (CEO) of OSKH. He was appointed to the Board of the Company on 21 November 1990. Mr Ong Leong Huat is also a member of the Remuneration Committee of the Company.

Mr Ong has been the Managing Director/CEO of OSK Securities Berhad since July 1985. He holds a dealer's representative licence issued by the Securities Commission (SC) under the Securities Industry Act, 1983. Prior to this, he was attached to a leading financial institution for 17 years from 1969 where he held the position of Senior General Manager. Currently, he is a member of the Capital Market Advisory

Council appointed by SC, to advise the SC on issues relating to the implementation of the Capital Market Masterplan. Mr Ong is also a member of the Securities Market Consultative Panel of Bursa Malaysia Berhad.

Mr Ong is also the Group Managing Director/CEO of OSK Ventures International Berhad and a Non-Independent Non-Executive Director in OSK Property Holdings Berhad.

Mr Ong is the brother of Mr Wong Chong Kim and Mr Wong Chong Che. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Ong attended three (3) out of the four (4) Board meetings of the Company held during the financial year.

EXECUTIVE DIRECTOR

Dato' Nik Mohamed

bin Nik Yahya, aged 69, a Malaysian, is the Executive Director and one of the first Directors appointed to the Board of the Company on 1 November 1990.

Dato' Nik Mohamed is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in July 1967. Dato' Nik Mohamed was the Deputy General Manager of OSK Securities Berhad ("OSKS") in December 1986 and later became a Director and Executive Chairman of OSKS in April 1989. He holds a dealer's representative license issued by the Securities Commission (SC) under the Securities Industry Act, 1983 and was the Corporate Nominee of the Company on the Board of OSKS. He has previously served as an Administrative Officer in the Kelantan Civil Service from 1956 to 1966 and as a Judicial and Legal Officer in the Federal Judicial and Legal Services from 1967 to 1986.

In November 1987, Dato' Nik Mohamed was admitted as an Advocate and Solicitor of the High Court of Malaya. He had also served as a Magistrate, President Sessions Court, Senior Assistant Registrar High Court Malaya, Deputy Public Prosecutor, Senior Federal Counsel, State Legal Advisor, Deputy Parliamentary Draftsman, Director Legal Aid Services Malaya and Public Trustee as well as Official Administrator Malaysia, the post he held until his retirement in December 1986.

He has also acted as trustee for various funds under Malaysian Unit Trusts Schemes and as Director/Council Member of voluntary organizations and government statutory

bodies, such as Dewan Bahasa dan Pustaka, Universiti Teknologi Mara ("UTM"), Johor State Economic Development Corporation, Yayasan Kebajikan Negara and National Heroes and Defence Fund. He has also served as a Committee Member of Bursa Malaysia Securities Berhad for three years from 1995 to 1998.

Dato' Nik Mohamed is the brother-in-law of Dato' Nik Mohamed Din. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Nik Mohamed attended all four (4) Board meetings of the Company held during the financial year.

EXECUTIVE DIRECTOR

Wong Chong Kim, aged 49,

a Malaysian, is currently the Executive Director of OSKH. He was appointed to the Board of the Company on 21 November 1990. He is also a member of the Audit Committee of the Company.

Mr Wong is a Fellow of the Chartered Association of Certified Accountants, a member of the Malaysian Institute of Accountants and a member of The Institute of Internal Auditors Malaysia. He joined OSK Securities Berhad as a Finance Manager in 1985 and became an Executive Director in 1989. He holds a dealer's representative licence issued by the Securities Commission under the Securities Industry Act, 1983. Prior to this, he was the Accountant and Assistant Credit Manager of a leading financial institution in 1983 for 2 years.

Mr Wong is also an Executive Director of OSK Ventures International Berhad and act as a Non-Independent Non-Executive Director of OSK Property Holdings Berhad.

Mr Wong is the brother of Mr Ong Leong Huat and Mr Wong Chong Che. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong attended all four (4) Board meetings of the Company held during the financial year.

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR**Wong Chong Che**, aged 52, a

Malaysian, is the Non-Independent Non-Executive Director of OSKH. He is one of the first Directors appointed to the Board of the Company on 1 November 1990.

Mr Wong is a Fellow of the Chartered Association of Certified Accountants. He joined OSK Securities Berhad as an Accountant in 1982 and became an Executive Director in 1984 before assuming the present post of Executive Vice President, Corporate Trading in 1994. He holds a dealer's representative license issued by Securities Commission under the Securities Industry Act, 1983. Prior to this, he was a Personal Assistant to a partner in Thomas and Howe, Chartered Accountants in the United Kingdom for 2 years.

Mr Wong is the brother of Mr Ong Leong Huat and Mr Wong Chong Kim. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong attended all four (4) Board meetings of the Company held during the financial year.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Mohamed Tarmizi bin Mohd Tahir, aged 69, a Malaysian, was appointed to the Board of the Company on 21 November 1990 as an Independent Non-Executive Director. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Dato' Mohamed Tarmizi graduated from the Universiti of Malaya in Singapore with a Bachelor of Arts in Geography. Dato' Mohamed Tarmizi started his career in 1961 as an Assistant District Officer in Kuala Pilah, Negeri Sembilan for 4 years before assuming the post of the District Officer in Seremban. From 1968 to 1969, he was a Training Officer at the Staff Training Centre in Petaling Jaya. Later, he became the State Development Officer of Negeri Sembilan and also the State Development Officer of Pahang. He was made the first General Manager of the Jengka Development Corporation. He has also served in the Treasury Department at the Ministry of

Finance for 4 years as Deputy Director of Budget. In 1978, he was transferred to Perak as the State Financial Officer before assuming the post of the General Manager of the Perak Foundation in 1984 for 9 years until his retirement.

Dato' Mohamed Tarmizi is also a Director in PJ Development Holdings Berhad and Intan Utilities Berhad.

Dato' Mohamed Tarmizi does not have any family relationship with any Director of the Company. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Mohamed Tarmizi attended three (3) out of four (4) Board meetings of the Company held during the financial year.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr Choong Tuck Yew, aged 67, a Malaysian, was appointed to the Board of the Company on 29 June 2001 as an Independent Non-Executive Director. He is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Dr Choong possesses a DComSc (Hons) and a MBA, and is a Chartered Accountant (Malaysia) as well as a Member of Certified Public Accountants. He is also a Fellow of the CPA Australia, a Fellow of the Malaysian Association of the Institute

of Chartered Secretaries and Administrators, a Fellow of the Malaysian Institute of Taxation, and a Chartered Fellow, as well as a Chartered Audit Committee Director (Professional Membership) of the Institute of Internal Auditors Malaysia.

Dr Choong is the Deputy Chairman of C&C Investigation Services Sdn. Bhd., a licensed private investigation agency approved by the Malaysian Ministry of Home Affairs. Before his retirement, Dr Choong was the Managing Director of Visia Finance Berhad. Prior to his secondment of Visia Finance Berhad, he was the Chief Manager in Bank Negara Malaysia where he served for more than 25 years.

Dr Choong is also an Independent Non-Executive Director of Poh Kong Holdings Berhad and Triumphal Associates Berhad. He is the Vice President of the Malaysian Institute of Directors and Secretary General of the Asian Professional Security Association. He has been a guest speaker at various conferences in Malaysia as well as abroad.

Dr Choong does not have any family relationship with any Director of the Company. He has no conflict of interest other than those disclosed under Additional Disclosures (Recurrent Related Party Transactions) which appears on pages 37 to 40 in this Annual Report. He has no conviction for any offences within the past ten years.

Dr Choong attended all four (4) Board meetings of the Company held during the financial year.

CHAIRMAN'S STATEMENT

OSK PERFORMED CREDIBLY WITH ANOTHER PROFITABLE YEAR IN 2005 AGAINST THE BACKDROP OF A TURBULENT YEAR CHARACTERIZED BY SPIRALLING CRUDE OIL PRICES AND ESCALATING INTEREST RATES



DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF

It has been a year of challenges. The year 2005 started with high expectations, especially on the corporate front, on the back of consensus estimates of 5.5-6.0% in GDP growth. However, such optimism was drained following a spate of corporate results that fell below expectations and a lower than expected GDP growth for the 2Q 2005 of 4.1%. As a result, we saw the apparent downgrading on both the corporate earnings and GDP projections for 2005. The situation was further exacerbated by spiralling crude oil prices that topped US\$70 per barrel amid escalating interest rates, particularly in the U.S. from 2.25% beginning 2005 to 4.0% as at end 2005. On a more positive note, the de-pegging of the Ringgit by Bank Negara Malaysia ("BNM") in July is a huge step forward and can be construed as further liberalisation for the financial industry.

Meanwhile, the ongoing M&A story remains one of the more pronounced catalysts for the market. During the course of the year, we witnessed several corporate restructurings that had ignited some optimism in the local bourse.

Nevertheless, capital flight out of Malaysia towards the final quarter of the year, mainly due to the loss of patience by foreign investors on the strength of the Ringgit, subsequently dampened market sentiment with an estimated RM40 billion repatriated out of the country in 2005.

The year 2005 may not be regarded as an excellent year for equities. Nonetheless, OSK has performed credibly with another profitable year. Thanks to management's astute vision and timely diversification, earnings for the Group are now less reliant on the equity market. The Group is now reaping the benefit and profits from the expansion into Corporate Finance, Debt Capital Markets, Fixed Income, Venture Capital and Fund Management. Notwithstanding this, OSK would continue to retain its leadership in equity trading and the excellent securities franchise.

“The Group is now reaping the profits from the expansion into Corporate Finance, Debt Capital Markets, Fixed Income, Venture Capital and Fund Management.”

FINANCIAL PERFORMANCE

The Group posted another commendable year despite the generally subdued capital market environment, with total revenue of RM335.9 million in 2005. For the financial year ended 31 December 2005, the Group's pre-tax profit improved to RM71.5 million as compared to RM59.1 million for the preceding financial year. After-tax profit surged from RM25.2 million in 2004 to RM45.4 million in 2005, representing an improvement of 80%.

The good set of results was attributed to the Group's diversified earnings base and lower reliance on conventional stockbroking business with the introduction of new financial and capital market services. The stockbroking activities contributed only 5% of our operating profit in 2005, while our corporate-related services, namely corporate finance, debt capital markets, fixed income and venture capital contributed about 50%.

The Group's financial position is sound. Our balance sheet shows shareholders' funds of over RM1.15 billion as at 31 December 2005, with a cash position of RM313.9 million.

REVIEW OF OPERATIONS

While we aggressively expand into new financial products and services, we have not neglected our core equity business. In 2005, we decided to consolidate our position in the equities business by transforming and merging several of our branches and EAFs. The Butterworth, Batu Pahat, Sibul and Miri branches were converted from a branch status to an EAF status to reduce operating costs in line with the size of the businesses in the respective areas. Also, we wound down 3 of our EAFs, namely those in Limbang, Lahad Datu and Mentakab. This consolidation exercise will reduce our operating costs and will enable us to reallocate and utilise our resources more effectively.

The Group's diversification efforts into non-equities products and services continued to gain momentum in 2005. Our Corporate Finance team secured 69 mandates and we successfully advised on 9 out of the total 79 IPOs in 2005, representing 11% market share. Since its inception in late 2003, our Debt Capital Markets team has completed deals worth RM1.84 billion and currently has 14 mandates on hand worth RM1.59 billion, paving the way for a strong year in 2006. Our Fixed Income emerged as the team with the highest revenue per head as they worked hand in hand with the Debt Capital Markets team to distribute bond issuance and increased our

presence in the bond market through active secondary transactions. Our strong accomplishments in these three areas in such a short time highlights that we are making good progress in our product diversification efforts.

Our venture capital arm, OSKVI, is beginning to show results as its investments mature. The highlight of 2005 was the success of our newly listed investee companies, namely Green Packet Berhad, mTouche Technology Berhad and MNC Wireless Berhad. OSKVI recorded impressive returns on its investments, recording an after-tax profit of RM20.3 million in 2005.

CORPORATE DEVELOPMENTS

On the corporate front, 2005 may be deemed as one of the busiest in line with OSK's grand vision of becoming a regional financial player. To achieve this, OSK has revisited Hong Kong as one of its first overseas ventures with the setting up of OSK Asia Holdings Ltd. The Group continued its acquisition trail with the proposed purchase of a 51% stake in Singapore-based DMG & Partners thus enabling OSK to have footholds in two of the most important financial markets in this region. The Group's foreign acquisitions should place it in good stead for cross border activities.

"OSK's foreign acquisitions place the Group in good stead for cross border activities."

The Year 2005 saw a major milestone for OSK with the formation of a 51:49 partnership with Singapore's Real Estate Investment Trust (REIT) giant Ascendas. In doing so, the Group hopes to establish a REIT and also to make investments in Malaysia with its distinguished partner in the very near future.

The year 2005 also marked a significant landmark for OSK with the successful launching of the country's first Basket Call Warrants comprising Malaysia's 20 largest market capitalised stocks that was subsequently listed on Bursa Malaysia on 8th December.

"There is no shortage of corporate activities domestically for OSK as the Group transforms itself into an Investment Bank."

Meanwhile, the Group, via OSKVI, together with its investee companies, namely mTouche and Greenpacket, have ventured overseas with China as the main destination.

There is no shortage of corporate activities domestically for OSK as the Group has already embarked on transforming itself into an Investment Bank. Though the final decision is still pending, OSK is all geared for the ultimate challenge.

"...the Investment Banking status is still very much a priority and 2006 is certainly the beginning of a new era for the OSK Group."

PROSPECTS FOR 2006

Malaysia's economic growth is expected to be sustained in 2006 after registering a growth of 5.3% in 2005. This year is expected to further test our resilience. Taking into account the prevailing high crude oil prices, monetary conditions will continue to see gradual tightening. As a result, a higher interest rate regime may be in the offing.

For the OSK Group, 2006 is all poised to be an exciting year. The establishment of our Hong Kong and Singapore offices has widened our reach beyond local shores. With the country's REIT segment still at its infancy, opportunities abound for the partnership with Ascendas. Finally, with the Investment Banking status still very much a priority, 2006 is certainly the beginning of a new era for the OSK Group.

DIVIDENDS

An interim dividend of 2.5 sen per share less 28% income tax was paid on 28 October 2005. The Board of Directors recommends a final dividend of 5 sen per share less 28% income tax for the current financial year ended 31 December 2005 making the total dividend declared for the current financial year to date 7.5 sen per share less 28% income tax.

ACKNOWLEDGEMENT

The continuous support from our valued customers, shareholders and employees had undoubtedly propelled OSK into becoming one of the country's leading Financial Services groups. On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere appreciation to all shareholders, staff and management that have contributed tremendously to the growth of the Group. We are confident that 2006 will be another exciting year for OSK.

2005 ECONOMIC REVIEW

In line with regional trends, Malaysia's economy experienced a mild slowdown in 2005. Economic activity moderated from 7.1% in 2004 to 5.3% in 2005 on the back of softening manufacturing activity in 1H 05, notably in the electronics and electrical sector. However, the economy rebounded in 2H 05 as the mild setback in aggregate domestic demand reversed and the manufacturing sector recovered.

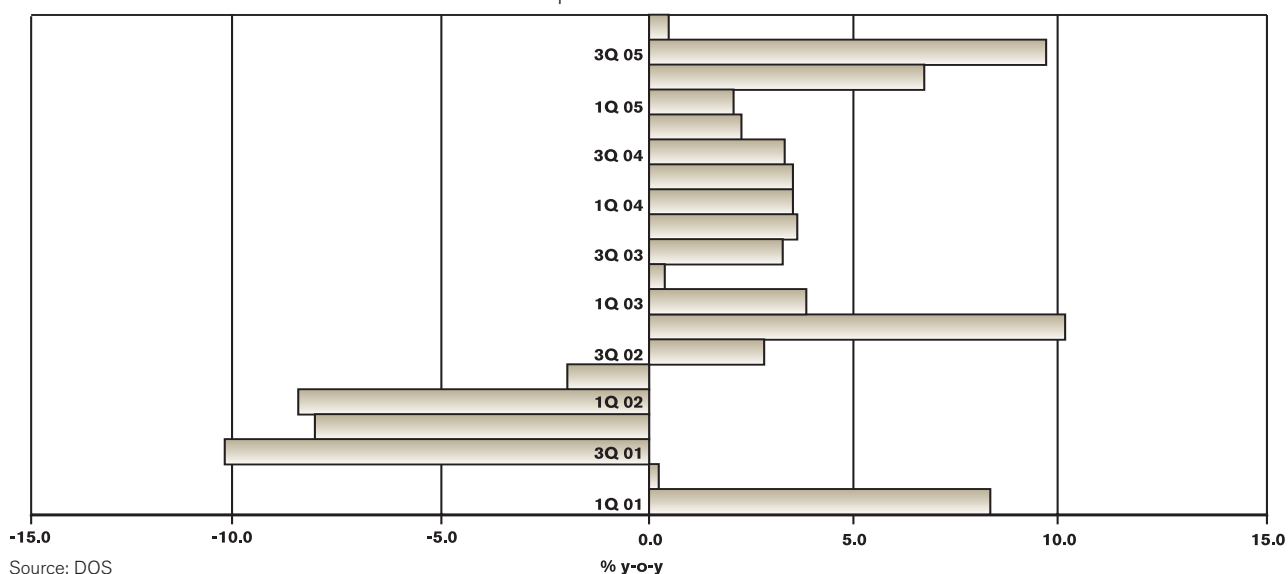
GDP at Constant Prices

	2003	2004	2005
GDP	5.4	7.1	5.3
Agriculture	5.6	5.0	2.1
Mining	5.8	3.9	0.8
Manufacturing	8.4	9.8	4.9
Construction	1.5	-1.5	-1.6
Services	4.5	6.8	6.5
Public Consumption	11.5	6.0	5.9
Private Consumption	6.6	10.5	9.2
Gross Fixed Capital Formation	2.7	3.1	4.7
Exports	5.7	16.3	8.4
Imports	4.2	20.7	7.6

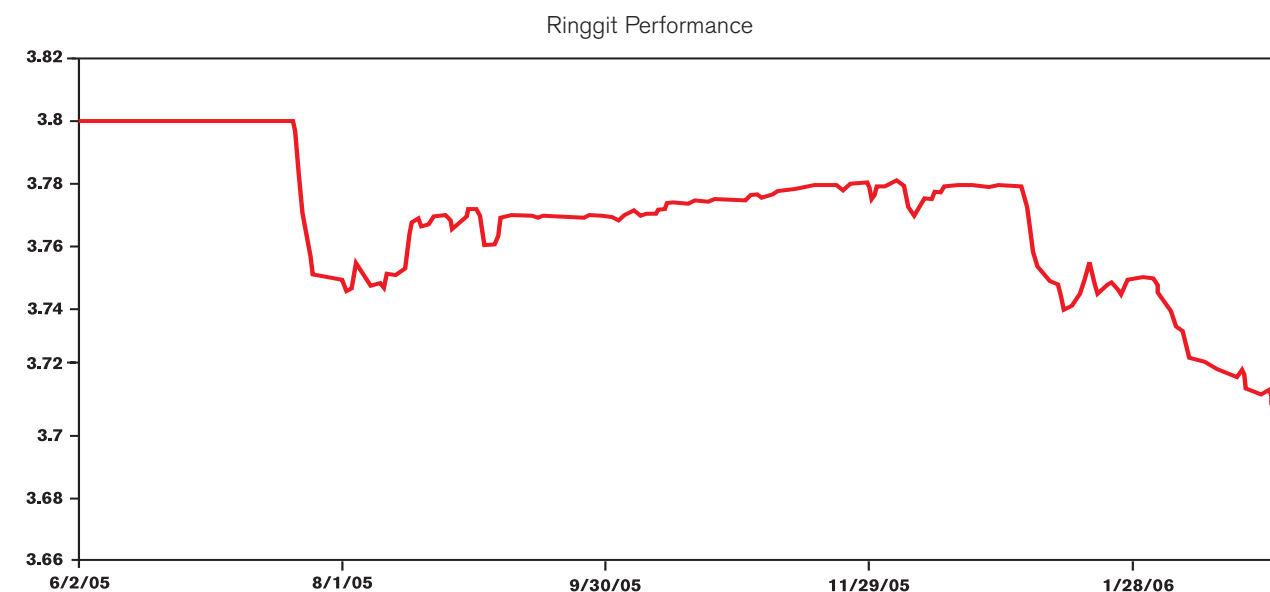
Source: DOS

On the supply side, the services sector led the way as robust domestic demand and strong tourist arrivals boosted growth in the sector. For the year, the sector grew by 6.5%. The agriculture sector slowed sharply last year due to the lower yields from fresh fruit bunches especially after an exceptionally strong 2004. Latex production also suffered a decline as a result of bad weather that had an adverse effect on rubber output. Production of crude palm oil fell 7% while rubber output declined 3.8%. The mining sector was one of the weakest links in the overall growth as crude oil production fell 4.9%.

Capital Formation Trend



Powered by the strong private consumption and a pick-up in capital spending, aggregate domestic demand regained strength. The unrelenting rise in commodity prices and stable labour market condition supported consumer spending while capital investment in the oil & gas, power and shipping sectors lifted strength in capital formation in the 2Q 05 and 3Q 05 of the year.



Source: Bloomberg

There have been some notable developments in the exchange rate front. Shortly after China abandoned its RMB fixed peg to USD and reflecting the confidence in the country's macro-economic fundamentals, Malaysia also dropped its Ringgit peg on 21 July 2005. In announcing the shift, the central bank said the currency regime for the country has moved to a managed float arrangement. The Ringgit appreciated by a small 1.3% immediately after the lifting of the peg. In November, the Ringgit experienced severe downward pressure as interest rate differentials with other countries in the region resulted in significant capital outflow. However, the weakness was short-lived as the Ringgit bounced back and is starting to strengthen in 2006 in line with the strength of the regional currencies.

Amidst the swift rise in global crude oil prices, the Government also announced a series of fuel price increases to reign in its rapidly rising fuel subsidies. Consequently, inflation rose from 1.4% to 3.0%. Faced with the continuous rise in the interest rate in the U.S., the central bank also announced on 30 November, 2005 the hike in its Overnight Policy Rate by 30 basis points from 2.7% to 3.0%. The increase in interest rates was the first in seven years. The central bank further raised the OPR to 3.25% in February 2006. Despite the rise in interest rates and the de-pegging of the Ringgit, monetary conditions in 2005 remained supportive of growth and liquidity in the system continued to be strong.

Fiscal policy management continued to emphasise a measured pace fiscal consolidation. Although public spending is budgeted to rise, the fiscal deficit-to-GDP ratio is expected to narrow. The ratio will fall from 3.8% in 2005 to 3.5% in 2006.

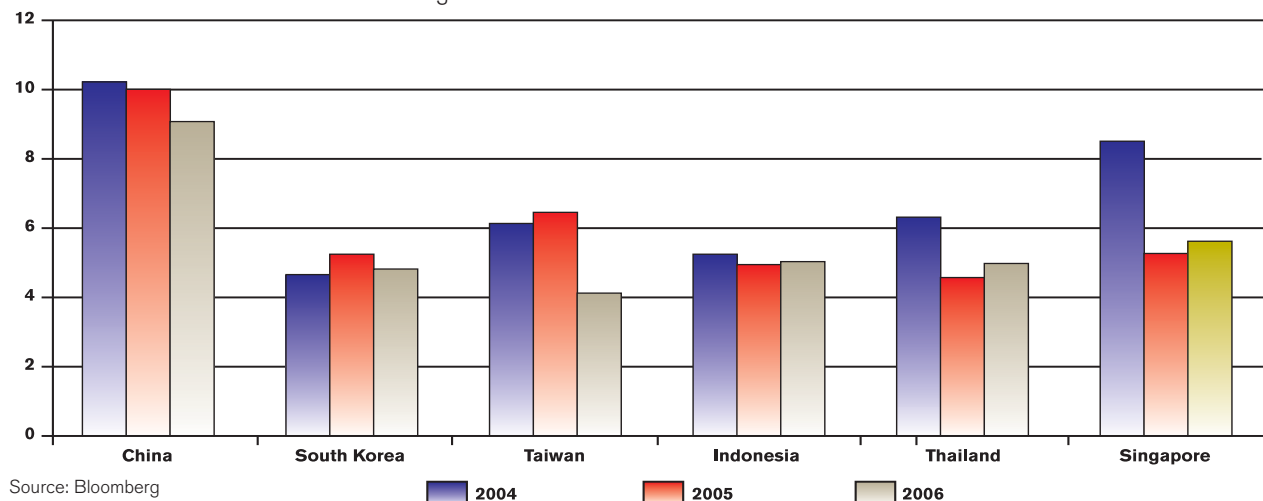
ECONOMIC OUT LOOK

Entering the year 2006, the resiliency of the global economy will be tested. Crude oil prices are still very high, monetary conditions will continue to be tightened while global imbalances remain the sand in the wheel. There are also challenges in 2006. Monetary conditions globally will continue to be tightened under the threat of a possible surge in inflation. Monetary accommodation has been one of the impetus driving consumption and asset prices around the world and its removal will be negative for both. Also, with the strong surge in the financial markets in Asia, any disorderly adjustments in the financial markets and currency could adversely affect the economy. Moreover, any significant slowdown in the U.S. or China will reduce the prospects for growth given the heavy reliance of the region on the two countries.

Nonetheless, the external environment remains favourable so far. Japan and Europe had their fair share of luck towards the end of 2005 and look set to contribute to global demand. Growth in the U.S. also has no indication of decelerating anytime soon while China's economic performance remains exceptionally strong. Much of this positive undertone is grounded on the assumption of an orderly adjustment in some of the underlying strong trends in recent time.



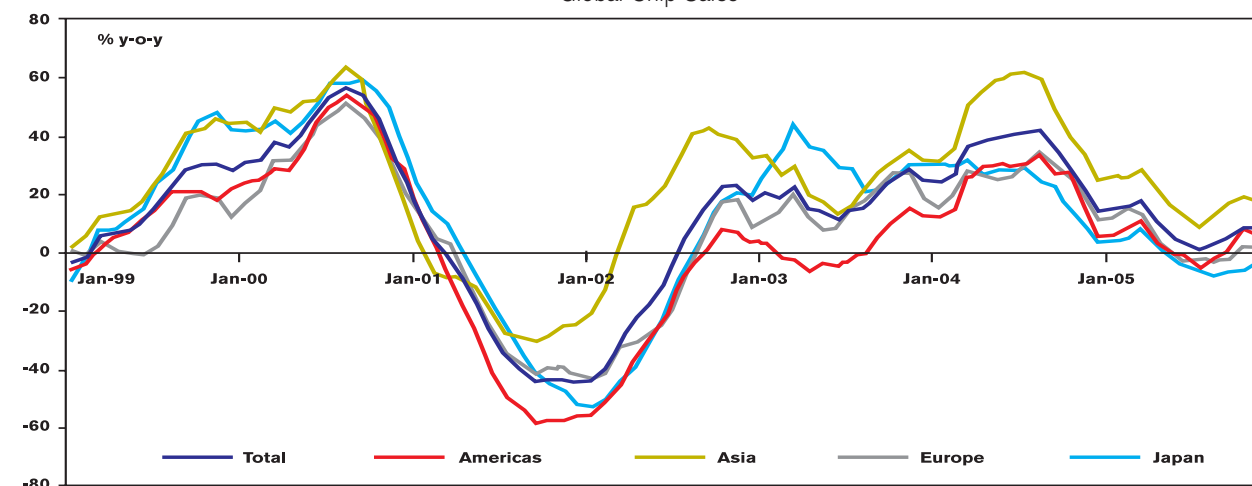
Regional GDP and Consensus Growth Forecast



Malaysia's economic growth is expected to sustain at 5.0%-5.5% this year. While the manufacturing sector is expected to post a moderate improvement with developed economies recording decent growth, high crude oil prices and the corresponding rise in domestic fuel price in 2005 and 2006 is feeding into domestic demand. The Malaysian household is also expected to experience a modest de-leveraging as household debt has come close to 60% of GDP. Furthermore, the large exposure of household to floating rate loans will certainly mean higher de-leveraging pressure as interest rates rise. Revival in E&E demand is lifting hope for the manufacturing sector. Resilient downstream activity in the E&E industry, especially in the consumer electronics sector and moderate improvement in chip sales will be positive for the manufacturing sector. Under these conditions, the manufacturing sector should improve further in 2006.

Inflation has surged from 1.4% in 2004 to 3.0% in 2005. Following the surprised 30 sen fuel price hike and as the government has not ruled out the possibility of further administrative price adjustments, notably in electricity and water tariffs, inflation risk remains high. Given this inflation risk and the fact that real policy rate still remains in the negative territory, the central bank is expected to raise its Overnight Policy Rate to 3.5%-3.75% from the current 3.25%.

Global Chip Sales



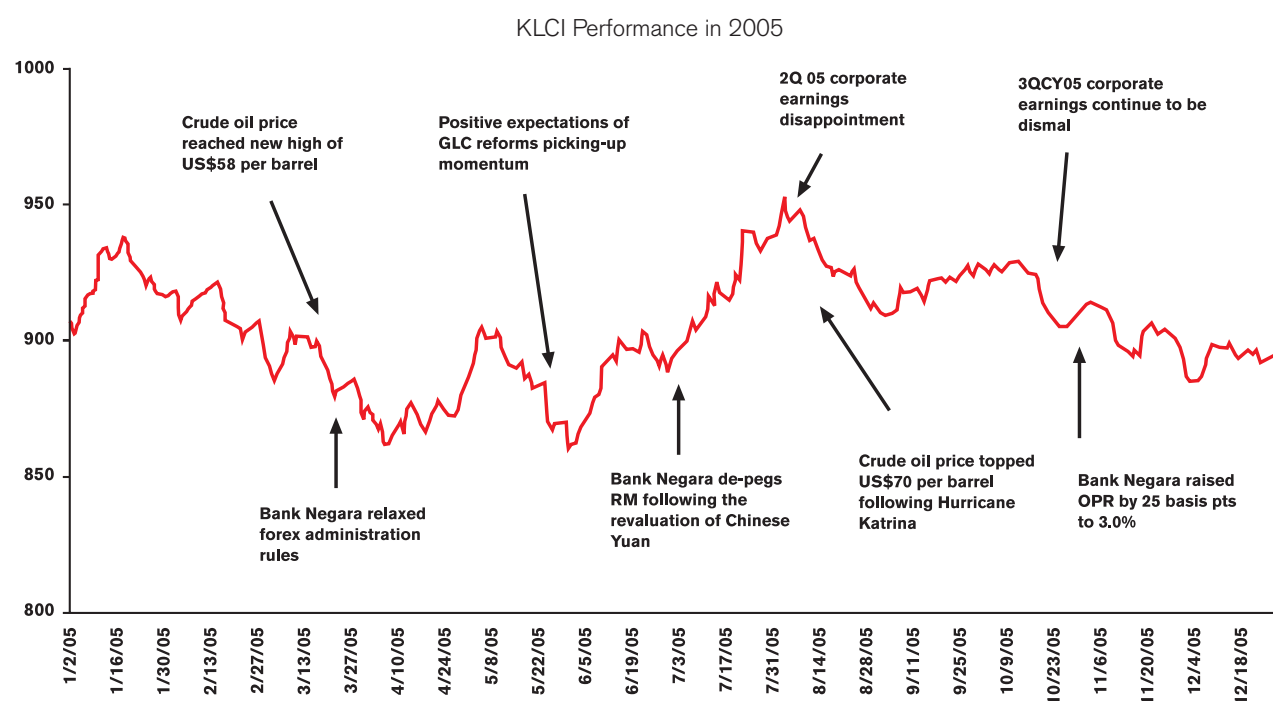
Source: SIA, Bloomberg

On the fiscal front, the roll out of the 9th Malaysia Plan and the larger than expected fiscal spending under the 2006 Budget will further enhance the growth potential for the economy. Public policy continues to focus on building and exploring the advantages of new growth areas. Sectors like agriculture and high valued added manufacturing activities and services have found new importance as an engine of growth for the country.

As a whole, the pillars of growth this year will be shifted from services to manufacturing. On the demand side, the stronger capex spending will mitigate the moderation in private consumption. While moderation in private consumption is inevitable, the slowdown is expected to be orderly as monetary policy remains accommodative, and this is augmented by fiscal policy that is supportive of growth.

STOCK MARKET REVIEW 2005

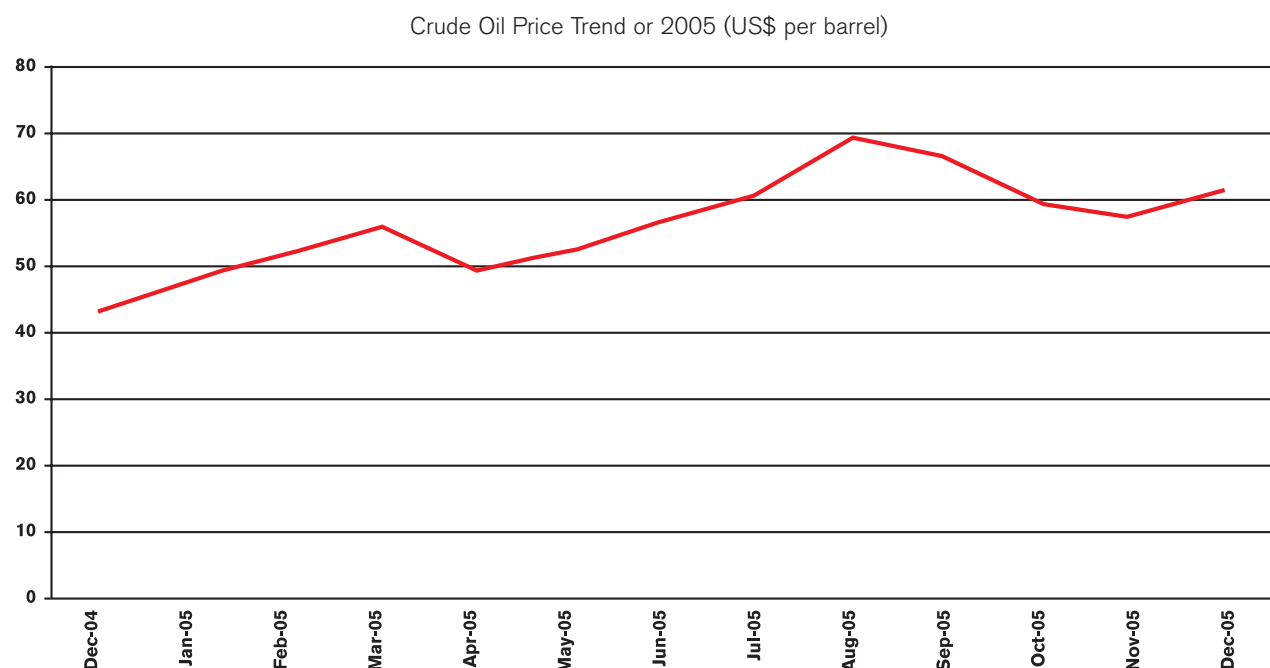
The market started 2005 on a subdued note following the catastrophic Asian Tsunami that garnered global attention. Against the backdrop of the dismal 4Q CY04 corporate earnings and the overall lack of fresh leads, sentiment was further dampened by rising crude oil prices and concerns on the pace of GLC reforms. Bank Negara's relaxation of the foreign exchange administration rules on March 23 thwarted several attempts for the KLCI to cross the 900 hurdle as fears mounted on the potential exodus of foreign funds over the medium-term. Consequently, the market fell to a low ebb for the year at 861.52 on April 7.



Source : OSK Research

Sentiment turned notably positive in June, aided by the combination of policy changes and corporate developments although gains were mostly short-lived. The revamp of Commerce-Asset Holdings Bhd (CAHB) and its investment banking arm, CIMB Bhd reignited interest on the GLC revamp theme as investors bet on other restructuring plays that could surface over the next few months.

A major boost for the market came after Bank Negara unexpectedly removed the 7-year Ringgit peg on July 21 immediately following the de-peg of China's Yuan. With rampant speculation of the Ringgit strengthening to as much as RM3.65 to the dollar in the interim, the KLCI raced to a 5 year high of 952.59 in early August before retracing sharply after 2Q CY05 corporate earnings failed to inspire. Compounding the downside were crude oil prices hitting a high of US\$70 per barrel following the aftermath of Hurricane Katrina, which grinded production in the Gulf of Mexico to a halt and the sharp deceleration in Malaysia's GDP growth to 4.1% yoy for 2Q05.



Source : Bloomberg

3Q CY05 corporate earnings proved to be another setback with major earnings shock by GLCs such as MAS, Proton and Time dotCom, weighing heavily on investor sentiment. This culminated in the downward revision of consensus earnings estimate for 2005 to the sub-10% level from earlier projection of mid-teens growth. The release of Budget 2006 on Sept 30 turned out to be a non-event with the market subsequently tumbling below the 900 psychological level on successive outflows of short-term funds after the Ringgit failed to appreciate in any significant manner. Rising interest differential vis-à-vis the U.S lent further credence to the exit of short-term hot money.

Interest rates dominated the investment theme for the remaining part of the year as U.S. policymakers continued on the tightening cycle that started in June 2004. On the local front, Bank Negara raised the overnight policy rate (OPR) for the first time in 7 years by 25 basis points to 3.25% on Nov 30. Expectations are for the Federal Reserve to raise interest rates by another 25-50 basis points over the next 6 months to 4.25%-4.75%, albeit not to the extent of curtailing the pace of economic growth. Domestically, Bank Negara is expected to adjust the OPR accordingly, being mindful of the external environment and the Ringgit's movement on the domestic economy.

The KLCI drifted to a low of 885.14 on Dec 2 and traded within a tight range for the greater part of Dec on the lack of positive leads although there were a slew of corporate developments that contributed to sporadic gains. Most notably were Bank Negara's rejection of Southern's Bank proposed acquisition of Asia General Holdings and MMC's planned privatization of Johor Port via a RM2.50/share general offer, ending months of speculation. Meanwhile, the release of better-than-expected 3Q GDP of +5.3% yoy did little to sooth investor sentiment as the market continued to languish in the doldrums.

The much anticipated year-end Christmas rally failed to materialize on continuing skittish sentiment and lack of positive leads. While some window-dressing activities emerged on key heavyweights, there was lack of follow through support as most investors were away for their year-end breaks. The KLCI closed the final day of trading on Dec 30 at 899.79, below the level it started at the beginning of the year and 2004's finale of 907.40. It was the worst performing market, having eased some 1% and bucking gains of 5-54% posted by other regional markets in 2005. The dismal performance of the KLCI was mirrored by the Second Board and MESDAQ indices which plummeted to levels not seen since 1998 and 2003 respectively.



Regional	30/12/2005	31/12/2004	chg	high	Low
KLCI	899.8	907.4	-0.8%	953.9	858.8
DJIA	10,717.5	10,783.0	-0.6%	10,984.5	10,000.5
STI	2,347.3	2,066.1	13.6%	2,399.8	2,062.0
HIS	14,876.4	14,230.1	4.5%	15,508.6	13,320.5
TWSE	6,548.3	6,139.7	6.7%	6,600.2	5,565.4
KOSPI	1,379.4	895.9	54.0%	1,383.1	866.2
SET	713.7	668.1	6.8%	746.1	630.7
PCOMP	2,096.0	1,822.8	15.0%	2,172.8	1,805.5
JCI	1,162.6	1,000.2	16.2%	1,195.6	951.2

Source : Bloomberg


SECTORAL PERFORMANCE

Save for the plantation and industrial product sectors, all other sectors posted negative returns in 2005. The top losers were telecommunications and technology (-37.8%) followed by construction (-25.9%) and mining (-12.8%).

2006 Stock Market Outlook

Bursa Malaysia Sector Performance in 2005	30/12/2005	31/12/2004	chg
KL Composite Index	899.8	907.4	-0.8%
EMAS	203.9	214.3	-4.9%
2nd Board	80.4	110.9	-27.4%
MESDAQ	87.1	122.8	-29.1%
Construction	127.0	171.3	-25.9%
Technology	26.8	43.1	-37.8%
Property	74.7	85.1	-12.3%
Finance	7204.4	7462.7	-3.5%
Customer	220.7	232.2	-5.0%
Mining	315.0	361.2	-12.8%
Syariah	127.1	133.8	-5.0%
Plantation	2798.7	1965.6	42.4%
Industrial Product	2041.0	1965.6	3.8%
Service	129.7	131.9	-1.7%

Source : Bloomberg



Riding on the coattails of the lackluster trading environment in 2005, the local bourse is expected to consolidate its position before tracing out a more significant improvement in the 2H 2006, driven by more meaningful signs of a recovery in the global macro-economic picture.

The economic outlook, nevertheless, remains favorable with the external environment turning increasingly positive. Economic activities in Japan and Europe have picked-up while growth in the U.S. and China are not expected to decelerate for the time being. However, monetary conditions globally will continue to be tightened given fears of inflation and stronger than expected growth momentum. On the local front, a more promising external outlook will be mitigated by potential risk of a slowdown in domestic consumption following a year of better than expected domestic demand. The economy is expected to sustain growth of 5.0-5.5% for 2006.

There remains a number of catalysts that could spark a robust re-rating of the market in the longer-term, although the risk of an unpredictable global outlook may well cap its upside. Rising interest rates will remain an ominous threat, albeit a necessary evil to combat cost-push inflation in the event that crude oil prices continue to ascend. That said, the Ringgit should see further strengthening on the back of improved economic fundamentals and further appreciation of the Chinese Renminbi. Higher interest rates should also accelerate the flight to efficiency, culminating in more M&A activities within the smaller cap companies as well as banking institutions, ahead of sector liberalization in 2007. The government is also scheduled to unveil the 9th Malaysian Plan (9MP) towards the tail-end of 1Q CY06 that is expected to fuel the country's next leg of expansion. Other policy issue that are expected to have an impact on the market this year include the new Financial Reporting Standards (FRS). Investors will also take cognizance of further GLC reforms as confirmation of more tangible results in place after the disheartening 2005.

On the political front, expectations are for a minor Cabinet re-shuffle by the Prime Minister, mainly to fill positions vacated recently. The government has also reiterated its stance not to interfere with the running of GLCs, entrusting the task to the Board and management of these companies.

In terms of valuation, the KLCI appears attractive at about 14x 2006 earnings compared to its regional peers while trading at a discount to its historical average. Expectations are for the market to trend between 940-1,000 by end-2006, premised on earnings growth of 9-12%. It is worthy to note that market valuations will be skewed by the adoption of 22 new FRSs, resulting in earnings volatility.

STATEMENT OF CORPORATE GOVERNANCE



THE BOARD OF DIRECTORS OF OSK HOLDINGS BERHAD ("THE COMPANY") RECOGNISES AND SUBSCRIBES TO THE IMPORTANCE OF THE PRINCIPLES AND BEST PRACTICES SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE") AS A KEY FACTOR TOWARDS ACHIEVING AN OPTIMAL GOVERNANCE FRAMEWORK AND ENHANCING SHAREHOLDER VALUE OF THE COMPANY.

With this in mind, measures and efforts have and shall be taken to ensure as far as practicable the adoption and implementation of the Code's Best Practices and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").

DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board's principal responsibilities are to chart the strategic direction, development and control of the Company's business, and to monitor whether the business is being managed properly.

In accordance with the requirement of the Code, the Chairman and Managing Director/Chief Executive Officer of the Company are different person with distinct and separately defined responsibilities.

COMPOSITION OF THE BOARD

The Board consists of seven (7) Directors, two (2) of whom are Independent Non-Executive Directors and one (1) is Non-Independent Non-Executive Director.

The Independent Non-Executive Directors fulfill their role through objective participation in the deliberations of the Board and by the exercise of independent judgement with regard to the long-term interest of the stakeholders of the Company.

The Board has extensive experience and expertise in the capital market industry as well as in areas of finance, accounting, economics and law. The profile of the Board is set out in the Directors' Profile appearing on Pages 12 to 14 of the Annual Report.

BOARD MEETINGS

During the financial year under review, four (4) board meetings were held. Details of the Directors' attendance at these meetings are as follows:

Directors	Total No. of Meetings	Meetings Attended
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	4	4
2. Ong Leong Huat @ Wong Joo Hwa	4	3
3. Dato' Nik Mohamed bin Nik Yahya	4	4
4. Wong Chong Kim	4	4
5. Wong Chong Che	4	4
6. Dato' Mohamed Tarmizi bin Mohd Tahir	4	3
7. Dr Choong Tuck Yew	4	4

SUPPLY OF INFORMATION

Directors are provided with notices and board papers prior to board meetings to give them sufficient time to deliberate on issues to be raised at the meetings.

Directors have direct access to the advice and services of the Company Secretary and senior management in carrying out their duties. The Directors may obtain independent professional advice in the event such services are required for them to carry out their duties.

APPOINTMENT OF DIRECTORS

The Company has put in place procedures for the nomination and election of Directors. The appointment of Directors takes into account the level of professional experience and mix of skills that make up the Board.

The Nomination Committee, comprising Independent Non-Executive Directors, recommends all appointments to the board. Details of the Nomination Committee are set out on Page 30 of the Annual Report.

REMUNERATION OF DIRECTORS

The remuneration of Directors should commensurate with the level of professional experience, responsibilities and contribution to growth and profitability of the Company.

The Remuneration Committee, comprising a majority of Independent Non-Executive Directors, recommends the remuneration of Executive Directors to the Board. The Chairman of this Committee is an Independent Non-Executive Director. The Executive Director(s) do not participate in the decision on their own remuneration.

The remuneration package for Non-Executive Directors is determined by the Board as a whole. Non-Executive Directors also abstain from discussions on their own remuneration.

The Directors' fees are approved by the shareholders at the Annual General Meeting.

Details of the remuneration for the Directors of the Company for the financial year are as follows:

		Executive RM	Non-Executive RM	Total RM
Amount received/receivable from the Company:				
2005				
Fee	-- provision for the year	68,000	56,000	124,000
	-- underprovision in prior year	12,000	14,000	26,000
		80,000	70,000	150,000
Amount received/receivable from the Group:				
2005				
Fee	-- provision for the year	208,000	74,000	282,000
	-- underprovision in prior year	12,000	14,000	26,000
		220,000	88,000	308,000
Other emoluments				
- Employees Provident Fund		628,800	-	628,800
- Incentive/Bonus		1,974,900	22,300	1,997,200
- Salaries		3,600,000	-	3,600,000
		6,203,700	22,300	6,226,000
		6,423,700	110,300	6,534,000
Benefits-in-kind		83,300	-	83,300

The number of Directors of the Company whose total remuneration fall within the following bands:

	Executive	Non-Executive	Total
2005			
Group			
RM50,000 and below	-	3	3
RM50,001 – RM100,000	1	-	1
RM450,001 – RM500,000	1	-	1
RM1,350,001 – RM1,400,000	1	-	1
RM4,450,001 – RM4,500,000	1	-	1
	<hr/>	<hr/>	<hr/>
	4	3	7
	<hr/>	<hr/>	<hr/>

CONTINUING EDUCATION OF DIRECTORS

The Directors of the Company have attended the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities for directors of public listed companies and completed the Continuing Education Programme within the timeframe stipulated by Bursa Securities. The Directors will also attend trainings endorsed by Bursa Securities to keep abreast with developments in the capital markets.

RE-ELECTION OF DIRECTORS

The Articles of Association of the Company ("the Articles") require that one-third (or nearest to one-third, if number is not three or multiple of three) of the Directors (including the Managing Director) to retire by rotation and seek re-election at each Annual General Meeting ("AGM") and that each Director (including the Managing Director) shall submit himself for re-election once every three years. Any Director appointed by the Board is subject to re-election by shareholders at the following AGM immediately after their appointment.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors standing for re-election at the Sixteenth Annual General Meeting of the Company to be held on Thursday, 6 April 2006 at 3:00 p.m. are detailed in the Notice of the Sixteenth Annual General Meeting.

INVESTOR RELATIONS

The Board has always recognised the importance of accurate and timely dissemination of information to its shareholders and potential investors. As such, the maintenance of an effective communication policy between members of the public and the Company is important.

Several channels are used to disseminate information on a timely basis to the investing public:

- The Annual General Meeting is used as the main forum of dialogue for shareholders to raise any issues pertaining to the Company.
- Quarterly announcements and corporate disclosure to Bursa Securities are available on the website www.bursamalaysia.com.
- Press releases provide up-to-date information on the Group's key corporate initiatives and new product and service launches.
- The Company's website www.osk.com.my provides corporate information on the Group.
- The Group Corporate Communications Department addresses inquiries from shareholders, investors and the public relating to Company matters.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and meaningful assessment of the Group's financial positions and prospects to shareholders, investors and regulatory authorities.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on Page 129 of the Annual Report.

Internal Control

The Board acknowledges its responsibilities of setting up and maintaining an effective system in ensuring a proper risk management environment. With this, the Board has ensured that the system of internal control takes into account the process of identifying key risks, likelihood of occurrence and materiality. The Board has also considered the adequacy of internal controls to address these risks.

The Board recognizes that risks cannot be eliminated completely. However, with the implementation of a proper system of internal control, the Directors and senior management of the Group aim to provide reasonable assurance against material misstatements, losses and fraud.

In order to ensure that the system of internal control remains effective and efficient, the Group Internal Audit Department ("GIA"), which is independent from the operating departments, performs regular reviews and examinations of the Company's activities in accordance to compliance and risk management requirements. The GIA reports directly to the Audit Committee ("AC") of which majority of the members are Independent Directors.

The Group Compliance and Risk Management departments review, on a regular basis, the effectiveness of risk policies and compliance to regulatory requirements.

Relationship with Auditors

The Board has established formal and transparent relationships with both the internal and external auditors through the AC. The AC meets with the internal and external auditors to discuss the audit plan, audit findings and the Group's financial statements.

The AC takes responsibility to ensure that adequate resources are allocated and provided to the internal auditors to carry out their duties according to the annual audit plan. The details of audit/non-audit fees paid/payable to the external auditors are set out below:

	Group RM	Company RM
2005		
Audit fees paid to external auditors	265,122	27,000
Non-audit fees paid to external auditors	13,750	1,500

SANCTIONS AND/OR PENALTIES IMPOSED

During the financial year, no material sanctions and/or penalties were imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed in Additional Disclosures on Pages 37 to 40 of this Annual Report, there are no other material contracts involving directors and substantial shareholders still subsisting at the end of the financial year or entered into since the end of the previous financial year.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee have been established to assist the Board in discharging its duties.

AUDIT COMMITTEE

The particulars of the Audit Committee are at Pages 31 to 33 of the Annual Report.

REMUNERATION COMMITTEE

Composition

Chairman - Dr Choong Tuck Yew (Independent Non-Executive Director)
 Members - Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director)
 Ong Leong Huat @ Wong Joo Hwa (Group Managing Director/CEO)

Authority

The Committee is granted the authority to recommend to the Board the remuneration package of Executive Directors.

Frequency of Meeting

The Committee is to meet at least once a year.

Terms of reference

- To review the existing level of remuneration of Executive Directors to ensure it is compatible with corporate and individual performance.
- To recommend to the Board the remuneration of Executive Directors which is structured to link rewards to corporate and individual performance. Executive Directors should not participate in decisions on their own remuneration.
- To review and recommend to the Board the remuneration of Non-Executive Directors to ensure it reflects the level of experience and responsibilities of Directors. The determination of remuneration packages shall be determined by the Board as a whole. The Director(s) concerned shall abstain from discussion of their own remuneration.
- The Company shall establish a formal and transparent procedure on Executive Directors' remuneration and to determine the remuneration packages of individual Directors.



NOMINATION COMMITTEE

Composition

Chairman - Dr Choong Tuck Yew (Independent Non-Executive Director)

Members - Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director)

Authority

The Committee is granted the authority to propose new nominee(s) for the Board and to assess the performance of the Directors on an ongoing basis. It is obliged to report its recommendations to the full Board for its consideration and implementation. The actual decision as who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

Frequency of Meeting

The Committee is to meet at least once a year.

Terms of Reference

- To recommend to the Board, the candidates for directorships to be filled by the shareholders or the Board.
- To consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive(s) or any Director(s) or shareholder.
- To recommend to the Board, the Director(s) to fill the seat(s) on Board Committees.
- To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.

AUDIT COMMITTEE REPORT

THE BOARD IS PLEASED TO PRESENT THE AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005.

MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Directors of the Company, a majority of whom must be independent. At least one member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and
 - he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967; or
- must have a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
- must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The members of the Committee shall elect the Chairman from among their number who shall be an independent director. No alternate director is to be appointed as a member of the Committee. The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years. In the event of any vacancy in an Audit Committee resulting in the non-compliance of subparagraphs 15.14(1) of the Listing Requirement, the vacancy must be filled within 3 months.

The Audit Committee consists of the following members :

Name	Designation
Dr Choong Tuck Yew (Independent Non-Executive Director)	Chairman
Dato' Mohamed Tarmizi bin Mohd Tahir (Independent Non-Executive Director)	Member
Wong Chong Kim (Executive Director)	Member

TERMS OF REFERENCE

DUTIES AND FUNCTIONS

- a) Review and report to the Board of Directors;
- with the external auditor, the audit plan;
 - with the external auditor, his evaluation of the system of internal controls;
 - with the external auditor, his audit report;
 - the assistance given by the employees of the listed issuer to the external auditor;
 - the adequacy of the scope, functions and resources of Internal Audit functions and that it has the necessary authority to carry out its work;
 - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:



- changes in or implementation of accounting policies and practices;
 - the going concern assumption;
 - significant adjustments arising from the audit;
 - major judgmental areas;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - external auditors' management letter and management's response;
- b) To consider the major findings of internal investigations and management's response;
- c) To discuss problems and reservations arising from the audit and any matter the auditor may wish to discuss (in the absence of management where necessary);
- d) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal;
- e) To recommend the nomination of a person or persons as external auditors;
- f) To consider any other functions or duties as may be agreed to by the Committee and the Board.

AUTHORITY

The Audit Committee shall :

1. have the authority to investigate any activity of the company and its subsidiaries within its terms of reference, and all employees are directed to cooperate as requested by members of the audit committee;
2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the company within its terms of reference;
4. have direct communication channels with the external auditors and persons performing the internal audit function or activity;
5. be able to obtain independent professional or other advice within its terms of reference; and
6. be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2005, the Audit Committee held a total of 4 meetings. The details of attendance of the Committee members are as follows:

Name of Committee Member	No of meetings attended
Dr Choong Tuck Yew	4 / 4
Dato' Mohamed Tarmizi bin Mohd Tahir	4 / 4
Wong Chong Kim	4 / 4

The quorum of meetings of the Committee shall be two (2) members and the majority of members present must be Independent Directors. Head of Group Internal Audit, Head of Group Finance and Accounts, Head of Group Compliance and the representatives of the external auditors, are invited to attend the Committee meetings. The Company Secretary shall be the Secretary to the Audit Committee.

SUMMARY OF ACTIVITIES

During the year under review, the following were the activities of the Audit Committee:

1. Reviewed and discussed the observations, recommendations and Audit Report and the Management's comments in respect of the issues raised by the External Auditor on their evaluation of the system of internal controls;
2. Reviewed the staffing requirements of the Internal Audit Department to ensure that the Internal Audit Department is adequately staffed by employees with the relevant skills, knowledge and experience to enable the Internal Audit Department to perform its role including the provision of training;
3. Reviewed the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
4. Reviewed the performance of the staff of the internal audit function, approve any appointment or termination of senior staff and to be informed of resignation of any internal audit staff members;
5. Reviewed and discussed the internal audit reports. The Committee was briefed by the Head of Group Internal Audit that in a few instances, the audit process identified certain control and operational weaknesses which were brought to the attention of the management, and that adequate corrective action had been taken to rectify the weaknesses;
6. Reviewed the quarterly and year-end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on;
 - 6.1 changes in or implementation of major accounting policies and practices;
 - 6.2 the going concern assumption;
 - 6.3 significant adjustment arising from the audit;
 - 6.4 major judgemental areas;
 - 6.5 significant and unusual events; and
 - 6.6 compliance with accounting standards and other legal requirements;
7. Reviewed the related party transactions and conflict of interest situation that may arise within the company or group including any transactions, procedures or course of conduct that raises questions of management integrity which were incurred during the financial year in the ordinary course of business;
8. Reviewed and verified the allocation of Employee Share Option Scheme as per Listing Requirements.

INTERNAL AUDIT FUNCTION

The Board recognized the importance of the internal audit function and the independent status required for it to carry out the job effectively. Therefore, in order to establish an effective system of internal control, an internal audit department (IA) has been established by the Board since 1994. In the year 1999, the Board set up an IT Audit after considering the advancement of IT technology applicable to the financial industry. It is the duty of the Audit Committee (AC) and Board to ensure that sufficient staff had been allocated to this department. The Group IA has introduced risk based auditing approach with Risk Focused Audit Programme in order to ensure that the principal risks are being established and mapped with the existing system of internal control. The Group IA carries out its duties according to the Annual Audit Plan, and areas of concern which need further improvement as highlighted in the audit report are discussed in the AC meetings. The Board has via the AC evaluated the effectiveness of the IA by reviewing the results of its work in the AC meetings.

STATEMENT OF COMPLIANCE OF EMPLOYEE SHARE OPTION SCHEME (ESOS) ALLOCATION

The Audit Committee confirms that the criteria of allocation of the ESOS has been verified by the Audit Committee via Group Internal Audit and hereby confirms that the allocation of this ESOS was in compliance with the criteria disclosed by the company to its employees.

STATEMENT OF INTERNAL CONTROL



THE MALAYSIA CODE ON CORPORATE GOVERNANCE REQUIRES LISTED COMPANIES TO MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROLS TO SAFEGUARD SHAREHOLDERS' INVESTMENTS AND THE GROUP'S ASSETS.

The Bursa Malaysia Securities Berhad's ("Bursa Securities") Revamped Listing Requirements require directors of listed companies to include a statement in their annual reports on the state of their internal controls. The Bursa Securities' Statement on Internal Control : Guidance for Directors of Public Listed Companies (Guidance) provides guidance for compliance with these requirements. Set out below is the Board's Internal Control Statement, which has been prepared in accordance with the Guidance.

RESPONSIBILITY

The Board recognises the importance of a sound system of internal controls to good corporate governance and acknowledges its primary responsibility to ensure that risks related to the Group are identified, measured, managed with appropriate system of internal controls, and reviewing for the effectiveness, adequacy and integrity of this system on an on going basis. The Boards also acknowledges that a sound system of internal controls reduces, but can not eliminate, the possibility of poor judgement in decision making; human error; breakdown in control due to collusion; control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal control therefore provides reasonable, but not absolute, assurance that a company will not be hindered in achieving its business objectives.

TYPES OF RISKS

The principal activities of the Group are stockbroking, fixed income & debt capital market, corporate finance, properties development, venture capital, unit trust, futures trading and capital financing. There is no significant change in these principal business activities of the Group compared with previous year except for a significant increase in activities within the fixed income and debt capital market business segment. In addition, the Group has introduced the equity structured product (call warrant) and acquired stockbroking firms in Hong Kong and Singapore.

The risk exposure faced by the Group can be broadly categorised into market, credit and operational risks as follows:

- Market Risk**
 - Market risk is the risk of potential losses due to unfavorable changes in the market value of financial or non-financial assets held by the Group. Market risk normally stems from equities, fixed-income, commodities and foreign exchange. The market risk that OSK is exposed to, stems mainly from equities and fixed income activities by virtue of the Group's activities in underwriting, investments and proprietary trading.
- Credit Risk**
 - Credit risk is the risk of economic loss due to the failure of counterparty to fulfill its obligations under a contractual agreement with the Group. At OSK, credit risk comes mainly in the form of settlement risk, margin financing default risk, concentration credit risk and credit assessment risk.
- Operational Risk**
 - Operational risk is the risk of opportunity cost or economic loss due to inadequate procedures and policies, system failure, human error, lack of basic internal control, settlement failure, liquidity problem, non-compliance with the rules and regulations, management failure, unauthorised activities, fraud in trading, failure in legal suit, etc.

RISK MANAGEMENT

The Board confirms that an on-going process for identifying, measuring and managing the Group's principal risks has operated throughout the year under review. This process is carried out via the following risk management governance structure:-

- The Board - is fully responsible for the risk management of the Group and has carried out its duties via having regular Board meetings to review and approve business strategies, risk policies and business performance of the Group.
- The Committees - whose key function is to review the adequacy and effectiveness of risk management, internal control and governance systems of the Group. The Audit Committee whose main role is to review, on behalf of the Board, the key risks inherent in the business and the system of internal control necessary to manage such risk, and to present its findings to the Board, assumes its roles and responsibilities via Group Internal Audit. In addition, the Risk Management Committee set up in one of the key subsidiaries plays a significant role in contributing to the establishment of a more conducive risk management environment. New products introduced during the year are evaluated via New Product Committee with a view to ensure that principal risks are being identified, measured and managed with an adequate system of control.
- The Middle Office Management - whose key function is to ensure implementation and compliance of the Group's operational policies and procedures as well as regulatory requirement. Group Internal Audit which reports directly to the Audit Committee, evaluates the adequacy and effectiveness of the Group's risk management and internal control system. To ensure that risks are managed effectively, Risk Based Auditing approach which begins with risk identification, risk evaluation and mapping of control has been introduced and implemented. In addition, the Risk Management department develops and maintains sound risk management policies and procedures for the respective business units, and ensures that risk exposure is being measured and monitored. The Group Compliance Department, established under the key subsidiaries operating under the regulated environment, plays a vital role in ensuring compliance with the relevant rules and regulations.
- The Back Office Management - also plays important roles in ensuring that the above risk management process is being carried out on an ongoing basis. These include the Credit Control Department which is primarily responsible for managing credit risk related activities and the Operations Department which is primarily in charge of managing settlement risk. The Project Department established in the property development company is primarily in charge of managing operational risk in areas like budgeting, tendering, monitoring of construction works, timely delivery of units to purchasers, etc. The supervision of funding and liquidity risk activities is under the purview of Group Finance and Accounts Department.
- The Front Office Management - risk origination divisions such as corporate finance, fixed income division and dealing division operate their daily activities within the policy, procedures and limits set by the management.

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system are described below : -

- Establishment of a conducive control environment in respect of the overall attitude, awareness and actions of Directors and management regarding the internal control system and its importance in the entity;
- Recruitment of experienced, skilled and professional staff with the necessary caliber to fulfill the allotted responsibilities. This should also ensure that sufficient employees are allocated in ensuring that minimum control is in place;
- Clear Group structure, reporting lines of responsibilities and appropriate levels of delegation;
- Clearly defined delegation of specific responsibilities to committees of the Board and to management, which is delegated as and when the Board deems fit to do so. These committees or management have the authority to examine all matters within their scope and report back to the Board with their recommendations;
- Documented policies, procedures, limits of Approving Authorities (AA) for key aspects of the businesses. This provides a sound framework of authority and accountability within the organisation and facilitates proper corporate decision making at the appropriate level in the organisation's hierarchy. Such AA list is subject to periodic review either via Policy Review Committee or as and when there are changes due to special circumstances;
- Establishment of specific structure limits for managing market, credit and operational risks such as single security, single client, single product, proprietary position, individual trader and business unit and stop loss limit etc. Procedures for authorising limit excesses are established and serious breaches reported to the supervisory board. These limits are also being reviewed and revised regularly;
- Establishment of an effective segregation of duties via independent checks, review and reconciliation activities to prevent human errors, fraud and abuses;
- Disaster recovery backup plan to provide business continuity has been established for one of the key business activities. There are also off-line procedures for branches to implement in case of system failure at branches. These disaster recovery plans are tested from time to time and enhanced whenever required;
- Regular and comprehensive management reports to the Board from various lines of operations & business units, on key business performance, operating statistics and regular matters. This allows for an effective monitoring of significant variances and deviation from standard operating procedures and budget;
- Group Internal Audit independently reviews the risk identification procedures and control processes implemented by management, and reports to the Audit Committee on a quarterly basis. The Group Internal Audit provides assurance over the operation and validity of the system of internal control in relation to the level of risk involved using Risk Based Auditing methodology.

The Board believes that the system of internal control in the Group is adequate and has been effective in its function, with no significant problem noted during the period under review.

Moving forward, the Group will endeavour to continue improving and enhancing the existing system of internal control, taking into consideration the changing business environment.

ADDITIONAL DISCLOSURES

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Details of the Group's recurrent related party transactions made during the financial year ended 31 December 2005 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 7 April 2005 are as follows :

Name of Company/ Group Involved	Nature of Transaction	Name of Related Party	Relationship with - Interested Directors (ID), Major Shareholders (MS) and Persons Connected (PC)	Actual Value 31 December 2005 (RM)
OSK Group	Rental of office space by the DCSB	DCSB	OLH(ID/MS), WCK(ID), WCC(ID), KCM(PC), WAC(PC) (See Note 1)	94,320
OSK Group	Provision of legal services by Cheang & Ariff	Cheang & Ariff	LTB(ID) (See Note 2)	703,096
OSK Group	Annual fee, hosting fee, quarterly online trading user access fee, website development and constant management fee	Finexasia	OLH(ID/MS), DKK(ID) (See Note 3)	4,382,060
OSKPH Group	Construction works/ buildings materials for project development & office renovation and maintenance by the PJD Group	PJD Group	OLH(ID/MS), WCK(ID), WAC(PC), WCS(PC), KCM(PC) (See Note 4)	11,365,047
OSKPH Group	Construction works/ buildings materials for project development & office renovation and maintenance by DCSB	DCSB	OLH(ID/MS), WCK(ID), WAC(PC), WCC(PC), KCM(PC) (See Note 1)	15,404,552
OSKS	Rental of office space by OSKS	PJD Group	OLH(ID/MS), WCK(ID), WAC(PC), WCS(PC), KCM(PC) (See Note 4)	25,200
OSKS	Rental of office space by OSK-UOB	OSK-UOB	OLH(ID/MS) (See Note 5)	114,461
OSKS	Rental of office space by OSKS	OSKPSB	OLH(ID/MS), WCK(ID) (See Note 6)	240,000
KHB	Rental of office space by the PJD Group	PJD Group	OLH(ID/MS), WCK(ID), WAC(PC), WCS(PC), KCM(PC) (See Note 7)	1,046,292
KHB	Rental of office and parking space by OSK-UOB	OSK-UOB	OLH(ID/MS) (See Note 5)	504,534
KHB	Rental of office space and parking space by Finexasia	Finexasia	OLH(ID/MS), DKK(ID) (See Note 3)	24,420
KHB	Rental of parking space by Stock188	Stock188	OLH(ID/MS), DKK(ID) (See Note 3)	1,512
KHB	Rental of office and parking space by OSKVE	OSKVE	OLH(ID/MS) (See Note 8)	79,560
KHB	Rental of office and parking space by OSKT	OSKT	OLH(ID/MS) (See Note 9)	79,527

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

Notes

- (1) Mr Ong Leong Huat @ Wong Joo Hwa (OLH) and Mr Wong Chong Kim (WCK), directors of OSK Holdings Berhad ("OSK") and OSK Property Holdings Berhad ("OSKPH"), are the brothers of Mr Wong Ah Chiew (WAC), who in turn is a director and major shareholder of Dindings Consolidated Sdn Bhd (DCSB). Madam Khor Chai Moi (KCM), a director and major shareholders of DCSB is the wife of OLH. Mr Wong Chong Che (WCC), director of OSK is the brother of OLH, WCK and WAC. The principal activities of the DCSB Group comprise of investment holdings, insurance and construction.
- (2) Cheang & Ariff is a legal firm providing legal services to the OSK Holdings Berhad ("OSK") Group. Mr Loy Tuan Bee (LTB) is a partner of the legal firm and he is also a director of OSK Securities Berhad ("OSKS").
- (3) Finexasia.com Sdn Bhd ("Finexasia") is a 88.02% owned subsidiary of OSK Group while Stock 188.com Sdn Bhd ("Stock188") is the wholly-owned subsidiary of Finexasia. KE-ZAN Holdings Berhad ("KHB") is a wholly-owned subsidiary of OSK. OLH is the director and major shareholder of OSK which in turn is the holding company of KHB, Finexasia, Stock188. Mr Diong King Kuang (DKK) is the director of Finexasia and Stock188. As at 15 February 2006, he does not hold any share in OSK and Finexasia.
- (4) OLH and WCK, directors of OSK Property Holdings Berhad ("OSKPH"), are the brothers of WAC and Mr Wong Chong Shee (WCS), who in turn are directors of PJ Development Holding Berhad ("PJD"). KCM, a director of PJD, is the wife of OLH. As at 15 February 2006, WCK held a 0.45% shareholding in PJD. OLH does not hold any share in PJD. The shareholdings of the interested directors OLH and WCK in OSKPH as at 15 February 2006 are 5.72% and 0.94% respectively. The principal activities of PJD Group comprise property development and construction, hotel/resort management and manufacturing.
- (5) OSK-UOB Unit Trust Management Berhad ("OSK-UOB") is a 70% owned subsidiary of OSKS which in turn is a wholly-owned subsidiary of OSK. KHB is the wholly-owned subsidiary of OSK. OLH is the director of OSKS, KHB, OSK-UOB and OSK.
- (6) OSKS, a wholly-owned subsidiary of OSK, is renting an office space at No. 62 & 64, Vista Magna, Jalan Prima, Metro Prima, 52100 Kuala Lumpur from OSK Properties Sdn Bhd ("OSKPSB"), a wholly-owned subsidiary of OSKPH which in turn is a 64% subsidiary of OSK. OLH and WCK are the directors of OSK, OSKPH and OSKS.
- (7) OLH and WCK, directors of KHB and OSK, are the brothers of WAC and WCS, who in turn are directors of PJD. KCM, a director of PJD, is the wife of OLH. KHB is a wholly-owned subsidiary of OSK. As at 15 February 2006, WCK held a 0.45% shareholding in PJD. OLH does not hold any share in PJD.
- (8) KHB is the subsidiary of OSK while OSK Venture Equities Sdn Bhd ("OSKVE") is a wholly-owned subsidiary of OSK Ventures International Berhad ("OSKVI") which in turn is a subsidiary of OSK. OLH is the director of KHB, OSKVE, and OSKVI.
- (9) OSK Trustees Berhad ("OSKT") is a wholly-owned subsidiary of OSK Group while KHB is a wholly-owned subsidiary of OSK. OSK has a direct interest of 20% in OSKT and indirect interest of 80% held through its subsidiaries. OLH is the director and major shareholder of OSK.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Save as disclosed below, there was no materials contract(s) entered into by the Company or its subsidiaries involving directors' and substantial shareholders' interest in the financial year ended 31 December 2005.

- (1) On 19 October 2004, OSK Holdings Berhad ("OSKH") and OSK Property Holdings Berhad ("OSKPH") entered into a conditional Sale and Purchase Agreement for the proposed disposal of its 100% equity interest in KE-ZAN Holdings Berhad ("KHB"), a wholly-owned subsidiary of OSKH comprising of 105,750,000 ordinary shares of RM1.00 each for a consideration of RM138,561,086, to be satisfied by 110,848,869 new OSKPH ordinary shares of RM1.00 each.

Relationship

OSKPH is a 64% owned subsidiary of OSKH. Dato' Nik Mohamed Din bin Datuk Nik Yusoff, Mr Ong Leong Huat and Mr Wong Chong Kim are the directors in OSKPH and OSKH. Mr Ong Leong Huat is the substantial shareholder of OSKH and OSKPH.

- (2) On 4 April 2005, a subsidiary of OSKH, namely OSK Asia Holdings Limited ("OSKAH") which is a company incorporated in Hong Kong, had entered into an Agreement with Messrs. Or Wai Hung, Kenneth and Lim Chui Ling, Elsie for the acquisition of the entire issued and share capital in Prudence Securities Company Limited ("Prudence"), comprising of 15,000,000 ordinary shares of HK\$1.00 each ("the Acquisition") at a purchase consideration of HK\$16,000,847 of which HK\$3,000,000 was paid via the issuance of 3,000,000 ordinary shares of HK\$1.00 each in OSKAH and the balance in cash. In connection therewith, Prudence became a wholly-owned subsidiary company of OSKAH with immediate effect and subsequently changed its name to OSK Asia Securities Limited ("OSKAS") on 16 August 2005.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST (CONT'D)

On 15 July 2005, OSKH entered into a Shareholders Agreement in relation to OSKAH with Messrs. (i) Or Wai Hung, Kenneth (ii) Sui Ming Fai, and (iii) Sandman Investment Limited, where all the parties have agreed to collaborate in relation to the future business of OSKAH, and with regards to the holding of shares in OSKAH and its management.

Relationship

OSKH is a substantial shareholder of OSKAH, which in turn is a 74% owned subsidiary of OSKH. Mr Ong Leong Huat and Mr Wong Chong Kim are the directors in OSKH and OSKAH. Mr Ong Leong Huat is also a substantial shareholder of OSKH. He is deemed interested in OSKAH by virtue of his substantial shareholdings in OSKH.

- (3) On 3 October 2005, OSK Holdings Berhad ("OSKH") entered into a Joint Venture Agreement with Ascendas (Malaysia) Pte Ltd ("Ascendas") to form a fund management company in Malaysia, namely Ascendas-OSK REIT Management Sdn Bhd ("A-OSK") for the following purposes: -

- (a) to make the necessary decisions and to take all necessary actions in preparation to establishing a Real Estate Investment Trust (REIT) in Malaysia;
- (b) to acquire properties as well as make investments in any other instruments as approved and allowed by the Securities Commission;
- (c) to undertake any other business as agreed upon from time to time between OSKH and Ascendas

Relationship

A-OSK is the 51% owned subsidiary company of OSKH. Dato' Nik Mohamed Din bin Dtuk Nik Yusoff and Mr Ong Leong Huat are the directors in OSKH and A-OSK. Mr Ong Leong Huat is also a substantial shareholder of OSKH. He is deemed interested in A-OSK by virtue of his substantial shareholdings in OSKH.

- (4) On 15 December 2005, OSK Securities Berhad ("OSKS"), a wholly-owned subsidiary of OSKH entered into a Sale and Purchase Agreement with Su E-Min & Co. (Singapore) Pte Ltd for the acquisition of 15,300,000 ordinary shares of SGD1.00 each, representing 51% equity interest in DMG & Partners Securities Pte Ltd ("DMG") for a purchase consideration of SGD49,220,263 (equivalent to approximately RM112,222,200, based on an exchange rate of SGD1.00 : RM2.28) to be wholly satisfied in cash.

Relationship

OSKS is a wholly-owned subsidiary of OSKH. Upon the completion of the said acquisition, DMG will become a 51% owned subsidiary of OSKS.

- (5) On 12 August 2005, OSK Properties Sdn Bhd ("OSKP"), a wholly-owned subsidiary of OSKPH entered into a sale and purchase agreement ("SPA") with Petronas Dagangan Berhad (Company No. 88222-D) for the proposed disposal of a piece of land measuring in area of approximately 47,932 square feet, held under No. PT 47457, H.S.(D) 18435, Bandar Sungai Petani, Daerah Kuala Muda, Negeri Kedah for a total consideration of RM2,156,940 to be paid by way of progress payments upon occurrence of an event/approval or licence being obtained and as fully set out in the SPA.

Relationship

OSKP is a wholly-owned subsidiary of OSKPH and OSKPH is a 64% owned subsidiary of OSKH. Dato' Nik Mohamed Din bin Datuk Nik Yusoff, Mr Ong Leong Huat, Mr Wong Chong Kim are the directors in OSKPH and OSKH. Mr Ong Leong Huat is the substantial shareholder in OSKPH and OSKH.

- (6) On 9 November 2005, OSKP, a wholly-owned subsidiary of OSKPH entered into a conditional sale and purchase agreement ("SPA") with Team Keris Sdn Bhd (Company No. 702437-W) for the proposed disposal of two (2) parcels of land measuring 314 acres (Phase 3) and 72.75 acres (Phase 4) respectively, in Mukim of Sungei Petani, District of Kuala Muda, State of Kedah Darul Aman for a total consideration of RM52,225,173 upon fulfilment of certain conditions precedent of the SPA by the Purchaser.

Relationship

OSKP is a wholly-owned subsidiary of OSKPH and OSKPH is a 64% owned subsidiary of OSKH. Dato' Nik Mohamed Din bin Datuk Nik Yusoff, Mr Ong Leong Huat, Mr Wong Chong Kim are the directors in OSKPH and OSKH. Mr Ong Leong Huat is the substantial shareholder in OSKPH and OSKH.



VARIATION OF RESULTS

There were no significant variations between the audited results for the financial year and the unaudited results previously announced.

NON-AUDIT FEES

The non-audit fees paid by the Company to external auditors for the financial year ended 31 December 2005 are disclosed in Note 29 of the financial statements.

PROFIT FORECAST / PROFIT GUARANTEE

The Company did not issue any profit forecast in any public documents during the current financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES



FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company of the financial year.

The Directors have responsibilities for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have a general responsibility for taking such steps to safeguard the assets of the Group and the Company and to detect and prevent fraud as well as other irregularities.



FINANCIAL STATEMENTS

DIRECTORS' REPORT	42
BALANCE SHEETS	50
INCOME STATEMENTS	52
STATEMENT OF CHANGES IN EQUITY - GROUP	53
STATEMENT OF CHANGES IN EQUITY - COMPANY	54
CASH FLOW STATEMENT - GROUP	55
CASH FLOW STATEMENT - COMPANY	58
NOTES TO THE FINANCIAL STATEMENTS	60
STATEMENT BY DIRECTORS	129
STATUTORY DECLARATION	129
AUDITORS' REPORT	130

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the subsidiary and associated companies are described in Note 43 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year other than the activities undertaken by additional subsidiary/associated companies as disclosed in the financial statements.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	<u>45,401,015</u>	<u>56,332,981</u>

DIVIDENDS

Dividends paid and declared by the Company since the end of the previous financial year were as follows:

- (a) 13,573,888 treasury shares at a total value of RM20,892,837 for the financial year ended 31 December 2004 were distributed as final dividend on 19 May 2005. This share dividend is distributed on the basis of one (1) treasury share for every forty five (45) ordinary shares held; and
- (b) An interim dividend of 2.5 sen per share less 28% income tax amounting to RM10,996,999 in respect of the financial year ended 31 December 2005 was paid on 28 October 2005.

The Board of Directors has recommended a final dividend of 5% per share less 28% income tax for the financial year ended 31 December 2005. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and adequate allowance has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount of bad debts written off or the allowance for doubtful debts in the financial statements inadequate to any material extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets which would be unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.



VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature other than those as disclosed in the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 41 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

New shares issued during the financial year are disclosed in Note 21 to the financial statements. The new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

The Company has not issued any new debentures during the financial year.

TREASURY SHARES

Details of treasury shares are disclosed in Note 23 to the financial statements.

WARRANT B 2000/2010

Pursuant to an abridged prospectus dated 7 January 2000, options were granted by way of a detachable Warrant B with the issue of 3.5% Redeemable Unsecured Bonds 2000/2005 and 6% Irredeemable Convertible Unsecured Loan Stocks 2000/2005 on 2 March 2000. Pursuant to a Special Resolution passed at the Extraordinary General Meeting of Warrantholders on 9 November 2004, duration and exercise period of Warrant B has been extended by five years from 1 March 2005 up to and including 1 March 2010.

Statutory information concerning the Warrant B 2000/2010 is set out below:

- (a) Each warrant entitles the holder to subscribe for 1 new ordinary share of RM1 each in the Company at a price of RM2.23* (2004: RM2.28**) per share;
- (b) The Warrant B 2000/2010 may be exercised at any time during normal business hours up to 5.00 pm on 1 March 2010;
- (c) Full provisions regarding the transferability of Warrant B 2000/2010 to new ordinary shares, which will thereafter rank pari passu with the existing ordinary shares of the Company, adjustment of the Exercise Price in certain circumstances, quotation on Bursa Securities and other terms and conditions pertaining to the Warrant B 2000/2010 are set out in detail in a Deed Poll executed by the Company on 6 January 2000, which is available for inspection at the registered office of the Company; and
- (d) The number of Warrant B 2000/2010 remaining outstanding at the end of the financial year was 101,423,826 (2004: 101,423,826).

* The subscription price of Warrant B has been adjusted from RM2.28 per share to RM2.23 per share during the financial year pursuant to the distribution of final share dividend for the previous financial year ended 31 December 2004 on 19 May 2005.

** Pursuant to the capital distribution in year 2002 by the Company of 46,085,664 shares of OSK Property Holdings Berhad ("OSKPH"), a subsidiary company, to all the Company's shareholders for free on the basis of 1 OSKPH share for 11 shares held in the Company, the subscription price of Warrant B has been adjusted in accordance with the provisions of the relevant deed polls and trust deed respectively.

EXECUTIVE SHARE OPTION SCHEME

During the previous and current financial years, the Company had granted options under the Executive Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 May 2002.

The salient features of the ESOS are as follows:

- (a) Eligible grantees are executives of the Group (including executive directors) who have been in the full time employment or under an employment contract of the Group for a period of at least twelve (12) full months of continuous service and whose employment have been confirmed in writing on or prior to the date of the offer. The eligibility for participation in the ESOS shall be based on the performance of the eligible grantees and shall be at the discretion of the ESOS Committee appointed by the Board of Directors;
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS;
- (c) The ESOS shall be in force for a duration of five (5) years from the date of implementation of the ESOS, i.e. from 18 February 2003 to 17 February 2008;
- (d) The option price for each share shall be at a discount of not more than ten per cent (10%) from the weighted average of the market quotation of the Company's shares in the daily list issued by Bursa Securities for the five (5) market days preceding the date of offer, or at par value of the ordinary shares of the Company, whichever is higher;
- (e) The shares to be allotted upon any exercise of the option will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company; and
- (f) No option shall be granted for less than 1,000 shares and shall not be more than the maximum allowable allotment for each eligible grantee allowed under their respective categories.

EXECUTIVE SHARE OPTION SCHEME (CONT'D)

The movement of the ESOS during the current financial year is as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM1.00 each				
		As at 1.1.2005	Granted	Exercised	Forfeited	As at 31.12.2005
27.6.2003	1.33	5,410,500	-	(73,500)	(454,100)	4,882,900
16.3.2004	1.95	11,049,000	-	-	(1,517,100)	9,531,900
29.4.2005	1.18	-	11,986,600	-	(1,129,000)	10,857,600

The Company is exempted from disclosing information as required by Section 169(11) of the Companies Act, 1965 other than as indicated below pursuant to approval from the Companies Commission of Malaysia dated 6 October 2005:

ESOS granted during the current financial year (200,000 options and above)

Name	Number of options over ordinary shares of RM1.00 each				
	As at 1.1.2005	Granted	Exercised	Forfeited	As at 31.12.2005
1. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	650,000	400,000	-	-	1,050,000
2. Ong Leong Huat @ Wong Joo Hwa	650,000	400,000	-	-	1,050,000
3. Wong Chong Kim	650,000	400,000	-	-	1,050,000
4. Diong King Kuang	487,500	274,100	-	-	761,600
5. Loh Siew Hooi	262,500	274,100	-	-	536,600
6. Tan Kheak Geai	292,000	274,100	-	-	566,100
7. Yap Yuh Foh	292,500	274,100	-	-	566,600
8. Chan Kong Ming	292,500	274,100	-	-	566,600
9. Mohd. Idris bin Ahmad Jais	487,500	258,000	-	-	745,500
10. Ho Seng Yee	281,800	241,800	-	-	523,600
11. Dato' Nik Mohamed bin Nik Yahya	163,000	215,000	-	-	378,000

DIRECTORS

The directors in office since the date of the last report are:

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
 Ong Leong Huat @ Wong Joo Hwa
 Dato' Nik Mohamed bin Nik Yahya
 Wong Chong Kim
 Wong Chong Che
 Dato' Mohamed Tarmizi bin Mohd. Tahir
 Dr. Choong Tuck Yew

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the directors in office at the end of the financial year who have interests in the ordinary share capital, warrants, debentures and options of the Company and its subsidiary companies during the financial year were as follows:

(a) The Company

The Company	Number of ordinary shares of RM1.00 each					
	As at 1.1.2005	Acquired	Mandatory conversion of ICULS*	Share dividend (1 for 45)**	Disposed	As at 31.12.2005
Direct interest						
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,509,275	-	1,577,548	335,262	(1,312,400)	14,109,685
Ong Leong Huat @ Wong Joo Hwa	164,497,570	1,000,000	15,900,401	4,008,841	-	185,406,812
Dato' Nik Mohamed bin Nik Yahya	4,713,047	-	530,167	116,515	-	5,359,729
Wong Chong Kim	408,333	-	7,748	9,246	-	425,327
Wong Chong Che	8,691,666	81,700	-	193,147	-	8,966,513
Indirect interest:						
Wong Chong Kim	236,866	70,000	45,043	6,486	-	358,395

* On 1 March 2005, all the outstanding 6% Irredeemable Convertible Unsecured Loan Stock 2000/2005 ("ICULS") were mandatory converted into ordinary shares at the conversion price of 2.28 per share.

** On 19 May 2005, share dividend of one (1) treasury shares for every forty five (45) ordinary shares held was distributed as final dividend for the financial year ended 31 December 2004.

	Number of Warrant B 2000/2010			
	As at 1.1.2005	Acquired	Disposed	As at 31.12.2005
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	3,596,810	-	(700,000)	2,896,810
Ong Leong Huat @ Wong Joo Hwa	35,857,915	-	-	35,857,915
Dato' Nik Mohamed bin Nik Yahya	375,782	-	-	375,782

Each Warrant B 2000/2010 entitles the registered holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM2.23 per share, at any time before the expiry date of 1 March 2010.

	Number of ICULS 2000/2005			
	As at 1.1.2005	Acquired	Mandatory conversion to ordinary share	As at 31.12.2005
Direct interest				
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	3,596,810	-	(3,596,810)	-
Ong Leong Huat @ Wong Joo Hwa	36,252,915	-	(36,252,915)	-
Dato' Nik Mohamed bin Nik Yahya	1,208,782	-	(1,208,782)	-
Wong Chong Kim	17,666	-	(17,666)	-
Indirect interest				
Wong Chong Kim	86,500	16,200	(102,700)	-

Pursuant to the Trust Deed, the outstanding ICULS of RM1 each as at the maturity date of 1 March 2005 were mandatory converted into new ordinary shares of RM1 each at the conversion price of RM2.28 each. Subsequently, the shares were allotted on 10 March 2005 and listed on 18 March 2005.

DIRECTORS' INTERESTS (CONT'D)

(a) The Company (cont'd)

	Number of options over ordinary shares of RM1.00 each		
	As at 1.1.2005	Granted	As at 31.12.2005
Direct interest			
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	650,000	400,000	1,050,000
Ong Leong Huat @ Wong Joo Hwa	650,000	400,000	1,050,000
Dato' Nik Mohamed bin Nik Yahya	163,000	215,000	378,000
Wong Chong Kim	650,000	400,000	1,050,000
Wong Chong Che	244,300	56,400	300,700

The options over ordinary shares were granted pursuant to the Company's ESOS.

(b) Subsidiary company

OSK Property Holdings Berhad ("OSKPH")

	Number of ordinary shares of RM1.00 each		
	As at 1.1.2005	Acquired	As at 31.12.2005
Direct interest			
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	1,328,294	-	-
Ong Leong Huat @ Wong Joo Hwa	6,343,059	-	6,343,059
Dato' Nik Mohamed bin Nik Yahya	400,647	-	400,647
Wong Chong Kim	875,757	-	875,757
Wong Chong Che	140,878	-	140,878

Indirect interest

Wong Chong Kim	20,700	122,300	143,000
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	Number of Warrant 2004/2009		
	As at 1.1.2005	Acquired	As at 31.12.2005
Direct interest			
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	141,420	-	20
Ong Leong Huat @ Wong Joo Hwa	7,265,443	-	7,265,443
Dato' Nik Mohamed bin Nik Yahya	23	-	23
Wong Chong Kim	438,000	-	438,000

Indirect interest

Ong Leong Huat @ Wong Joo Hwa	31,926,068	-	31,926,068
Wong Chong Kim	5,600	-	5,600

Each Warrant 2004/2009 entitles the registered holder to subscribe for 1 new ordinary share in OSKPH at an exercise price of RM1.10 per share, at any time before the expiry date of 5 April 2009.

DIRECTORS' INTERESTS (CONT'D)

(c) **Subsidiary company**

OSK Ventures International Berhad

	Number of ordinary shares of RM0.10 each			Number of ordinary shares of RM1.00 each	
	As at 1.1.2005	Acquired	10 shares consolidated to 1 share*	Disposed	As at 31.12.2005
Direct interest					
Dato' Nik Mohamed Din bin					
Datuk Nik Yusoff	3,000,000	-	(2,700,000)	(100,000)	200,000
Ong Leong Huat @ Wong Joo Hwa	3,000,000	-	(2,700,000)	-	300,000
Dato' Nik Mohamed bin Nik Yahya	3,000,000	-	(2,700,000)	-	300,000
Wong Chong Kim	3,000,000	-	(2,700,000)	-	300,000
Wong Chong Che	769,000	-	(692,100)	(76,900)	-
Dr. Choong Tuck Yew	375,000	-	(337,500)	-	37,500
Indirect interest					
Wong Chong Kim	600,000	1,100,000	(1,530,000)	-	170,000

Mr. Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies, except for wholly owned subsidiary companies, are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2005	Acquired	Disposed	As at 31.12.2005
Ascendas - OSK REIT Management Sdn. Bhd.	-	5,100	-	5,100
Finexasia.com Sdn. Bhd.	10,000,000	-	-	10,000,000
K.E. Malaysian Capital Partners Sdn. Bhd.	300,000	-	-	300,000
OSK Property Holdings Berhad	59,941,800	91,400	-	60,033,200
OSK-UOB Unit Trust Management Berhad	7,000,000	-	-	7,000,000

	Number of ordinary shares of RM0.10 each			Number of ordinary shares of RM1.00 each	
	As at 1.1.2005	Acquired	10 shares consolidated to 1 share*	Disposed	As at 31.12.2005
OSK Ventures International Berhad	843,442,300	44,485,400	(799,134,930)	-	88,792,770

	Number of ordinary shares of HK\$1.00 each			
	As at 1.1.2005	Acquired	Disposed	As at 31.12.2005
OSK Asia Holdings Limited	1	45,999,999	-	46,000,000

DIRECTORS' INTERESTS (CONT'D)

	5% Cumulative Convertible Preference Shares of RM1.00 each			As at 31.12.2005
	As at 1.1.2005	Acquired	Disposed	
K.E. Malaysian Capital Partners Sdn. Bhd.	700,000	-	-	700,000

Dato' Mohamed Tarmizi bin Mohd. Tahir did not hold any shares, warrants, debentures or options of the Company or its subsidiary companies during and as at the end of the financial year.

- * Pursuant to the share consolidation exercise of OSK Ventures International Berhad as disclosed in Note 40(n) to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or has become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 36 to the financial statements or the fixed salary of full time employees of subsidiary companies) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of any transaction entered into in the ordinary course of business between the Company and corporations in which the directors are deemed to have an interest.

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or any other body corporate, other than the share options granted to the Directors of the company pursuant to the Executive Share Option Scheme of the Company.

AUDITORS

The auditors, Messrs. Peter I.M. Chieng & Co., Chartered Accountants, retire and do not wish to seek reappointment.

Signed on behalf of the Board
in accordance with
a resolution of the Directors,

.....
DATO' NIK MOHAMED BIN NIK YAHYA

.....
WONG CHONG KIM

Kuala Lumpur, Malaysia
27 February 2006

BALANCE SHEETS

AS AT 31 DECEMBER 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	4	208,908,378	209,064,803	-	-
Land held for property development	5(a)	184,710,111	176,869,362	-	-
Investments in subsidiary companies	6(a)	-	-	1,137,020,596	1,077,596,431
Investments in associated companies	7(a)	141,324,404	3,813,549	1,987,550	1,987,550
Other long term investments	8	24,867,470	69,312,145	9,617,750	9,649,731
Security deposits	9	2,380,048	1,000,000	-	-
Development cost	10	2,987,698	3,983,598	-	-
Deferred tax assets	11(a)	530,000	449,555	-	-
Intangible assets	12	166,572,677	175,961,766	-	-
		<u>732,280,786</u>	<u>640,454,778</u>	<u>1,148,625,896</u>	<u>1,089,233,712</u>
CURRENT ASSETS					
Property development costs	5(b)	63,703,182	69,399,349	-	-
Trade receivables	13	560,434,918	625,097,241	-	-
Other receivables, deposits and prepayments	14	20,309,011	38,255,682	58,235	121,293
Tax recoverable		21,161,413	4,605,881	1,883,627	1,511,211
Amounts due from subsidiary companies	6(b)	-	-	20,541,847	103,864,112
Amount due from an associated company	7(b)	-	30,390	-	30,390
Short term investments	15	161,252,145	376,045,853	3,844,896	2,512,309
Fund manager's stocks	16	802,323	1,557,410	-	-
Cash, bank balances and deposits					
- General accounts	17(a)	313,887,735	383,600,845	1,218,535	62,723,851
- Segregated accounts	17(b)	150,167,201	149,780,330	-	-
		<u>1,291,717,928</u>	<u>1,648,372,981</u>	<u>27,547,140</u>	<u>170,763,166</u>

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2005 (CONT'D)

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
CURRENT LIABILITIES					
Trade payables	18	306,029,181	228,031,495	-	-
Progress billings		26,237,604	23,905,026	-	-
Other payables, deposits and accruals	19	122,617,606	130,546,327	173,285	3,165,972
Amounts due to subsidiary companies	6(c)	-	-	53,088,031	61,860,674
Short term borrowings	20	108,261,347	489,649,712	-	101,423,995
Tax payable		2,493,494	9,854,783	-	-
		<u>565,639,232</u>	<u>881,987,343</u>	<u>53,261,316</u>	<u>166,450,641</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>726,078,696</u>	<u>766,385,638</u>	<u>(25,714,176)</u>	<u>4,312,525</u>
		<u>1,458,359,482</u>	<u>1,406,840,416</u>	<u>1,122,911,720</u>	<u>1,093,546,237</u>
FINANCED BY:					
Share capital	21	625,307,579	584,777,720	625,307,579	584,777,720
Reserves	22	543,140,556	464,366,110	514,196,949	437,986,308
Less: Treasury shares	23	(16,592,808)	(21,449,891)	(16,592,808)	(21,449,891)
SHAREHOLDERS' FUNDS		<u>1,151,855,327</u>	<u>1,027,693,939</u>	<u>1,122,911,720</u>	<u>1,001,314,137</u>
Minority interests		<u>208,975,272</u>	<u>210,915,752</u>	<u>-</u>	<u>-</u>
		<u>1,360,830,599</u>	<u>1,238,609,691</u>	<u>1,122,911,720</u>	<u>1,001,314,137</u>
LONG TERM LIABILITIES					
6% Irredeemable Convertible					
Unsecured Loan Stocks 2000/2005	24	-	92,232,100	-	92,232,100
Seven(7)-Year Serial Al-Bai'					
Bithaman Ajil Islamic Debt Securities	25	68,228,168	46,681,342	-	-
Deferred tax liabilities	11(b)	29,300,715	29,317,283	-	-
		<u>1,458,359,482</u>	<u>1,406,840,416</u>	<u>1,122,911,720</u>	<u>1,093,546,237</u>

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Revenue	26	335,890,043	387,604,787	75,780,120	98,065,889
Direct costs	27	(117,029,110)	(149,552,301)	-	-
Gross profit		218,860,933	238,052,486	75,780,120	98,065,889
Other operating income	28	20,740,751	37,829,033	83,405	5,663,133
Administrative expenses	29	(137,195,908)	(120,130,698)	(1,527,332)	(1,008,816)
Other operating expenses	30	(19,940,120)	(71,715,469)	(165,625)	-
Profit from operations		82,465,656	84,035,352	74,170,568	102,720,206
Finance costs	31	(19,560,327)	(25,984,939)	(1,476,345)	(9,139,947)
Share of profits of associated companies		8,609,666	1,018,276	-	-
Profit before taxation		71,514,995	59,068,689	72,694,223	93,580,259
Tax expense	32	(10,445,079)	(30,208,269)	(16,361,242)	(21,748,741)
Profit after taxation		61,069,916	28,860,420	56,332,981	71,831,518
Minority interests		(15,668,901)	(3,623,672)	-	-
Profit for the financial year		45,401,015	25,236,748	56,332,981	71,831,518
Earnings per share (sen):	33				
Basic		7.61	4.49		
Fully diluted		N/A	4.45		

N/A - Not applicable

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Share capital (Note 21) RM	Capital redemption reserve (Note 22) RM	Share premium (Note 22) RM	Reserve on consoli- dation (Note 22) RM	Treasury shares (Note 22) RM	Retained profits (Note 23) RM	Total RM
At 1 January 2004	518,097,855	23,437,000	64,407,228	12,465,901	(45,891,586)	323,226,884	895,743,282
Conversion of ICULS	1,418,159	-	1,815,245	-	-	-	3,233,404
Exercise of Warrant A	98,248,206	-	19,649,641	-	-	-	117,897,847
Exercise of ESOS	2,496,100	-	869,345	-	-	-	3,365,445
Acquisition of additional shares in subsidiary company	-	-	-	56,203,727	-	-	56,203,727
Profit for the financial year	-	-	-	-	-	25,236,748	25,236,748
Dividends paid (Note 34)	-	-	-	-	-	(41,841,397)	(41,841,397)
Shares repurchased	-	-	-	-	(32,087,117)	-	(32,087,117)
Cost of treasury shares cancelled	-	-	(56,528,812)	-	56,528,812	-	-
Treasury shares cancelled and redemption reserve transfer	(35,482,600)	35,482,600	-	-	-	-	-
Professional expenses incurred for extension of warrants	-	-	(58,000)	-	-	-	(58,000)
At 31 December 2004	584,777,720	58,919,600	30,154,647	68,669,628	(21,449,891)	306,622,235	1,027,693,939

	Share capital (Note 21) RM	Capital redemption reserve (Note 22) RM	Share premium (Note 22) RM	Reserve on consoli- dation (Note 22) RM	Foreign exchange reserves (Note 22) RM	Other reserve (Note 22) RM	Treasury shares (Note 23) RM	Retained profits (Note 22) RM	Total RM
At 1 January 2005	584,777,720	58,919,600	30,154,647	68,669,628	-	-	(21,449,891)	306,622,235	1,027,693,939
Effect arising from equity accounting of associated companies	-	-	-	-	-	1,370,860	-	1,101,203	2,472,063
As restated	584,777,720	58,919,600	30,154,647	68,669,628	-	1,370,860	(21,449,891)	307,723,438	1,030,166,002
Conversion of ICULS	40,456,359	-	51,784,141	-	-	-	-	-	92,240,500
Exercise of ESOS	73,500	-	24,255	-	-	-	-	-	97,755
Acquisition of additional shares in subsidiary companies	-	-	-	7,694,592	-	-	-	-	7,694,592
Share of associated companies' reserves	-	-	-	-	-	85,841	-	-	85,841
Gain on deemed disposal of shares in associated companies	-	-	-	-	-	3,369,873	-	-	3,369,873
Profit for the financial year	-	-	-	-	-	-	-	45,401,015	45,401,015
Dividend paid (Note 34)	-	-	-	-	-	-	-	(10,996,999)	(10,996,999)
Shares repurchased	-	-	-	-	-	-	(16,035,754)	-	(16,035,754)
Professional expenses incurred for extension of warrants	-	-	(19,900)	-	-	-	-	-	(19,900)
Professional expenses incurred for conversion of ICULS	-	-	(21,000)	-	-	-	-	-	(21,000)
Share dividend distributed (Note 34)	-	-	(20,892,837)	-	-	-	20,892,837	-	-
Foreign exchange differences	-	-	-	-	(126,598)	-	-	-	(126,598)
At 31 December 2005	625,307,579	58,919,600	61,029,306	76,364,220	(126,598)	4,826,574	(16,592,808)	342,127,454	1,151,855,327

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005



	----- Non-Distributable -----			Distributable		
	Share	Capital	Share	Treasury	Retained	Total
	capital	redemption	premium	Shares	profits	
	(Note 21)	(Note 22)	(Note 22)	(Note 23)	(Note 22)	
	RM	RM	RM	RM	RM	RM
At 1 January 2004	518,097,855	23,437,000	64,407,228	(45,891,586)	318,921,940	878,972,437
Conversion of ICULS	1,418,159	-	1,815,245	-	-	3,233,404
Exercise of Warrant A	98,248,206	-	19,649,641	-	-	117,897,847
Exercise of ESOS	2,496,100	-	869,345	-	-	3,365,445
Profit for the financial year	-	-	-	-	71,831,518	71,831,518
Dividend paid (Note 34)	-	-	-	-	(41,841,397)	(41,841,397)
Shares repurchased	-	-	-	(32,087,117)	-	(32,087,117)
Cost of treasury shares cancelled	-	-	(56,528,812)	56,528,812	-	-
Treasury shares cancelled and redemption reserve transfer	(35,482,600)	35,482,600	-	-	-	-
Professional expenses incurred for extension of warrants	-	-	(58,000)	-	-	(58,000)
At 31 December 2004	584,777,720	58,919,600	30,154,647	(21,449,891)	348,912,061	1,001,314,137
Conversion of ICULS	40,456,359	-	51,784,141	-	-	92,240,500
Exercise of ESOS	73,500	-	24,255	-	-	97,755
Profit for the financial year	-	-	-	-	56,332,981	56,332,981
Dividend paid (Note 34)	-	-	-	-	(10,996,999)	(10,996,999)
Shares repurchased	-	-	-	(16,035,754)	-	(16,035,754)
Professional expenses incurred for extension of warrants	-	-	(19,900)	-	-	(19,900)
Professional expenses incurred for conversion of ICULS	-	-	(21,000)	-	-	(21,000)
Share dividend distributed (Note 34)	-	-	(20,892,837)	20,892,837	-	-
At 31 December 2005	625,307,579	58,919,600	61,029,306	(16,592,808)	394,248,043	1,122,911,720

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT - GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		71,514,995	59,068,689
Adjustments for:			
Accretion of discount on BaIDS		1,364,602	1,547,273
Allowance for bad and doubtful debts		4,706,602	3,186,971
Allowance for bad and doubtful debts written back		(1,239,559)	(1,126,129)
Allowance for diminution in value of marketable securities		571,860	1,480,055
Amortisation of:			
- business and intellectual property		285,714	-
- development costs		995,900	995,899
- goodwill on consolidation		7,643,493	7,641,034
- MESDAQ admission fees		833	10,000
- purchased goodwill		2,395,698	2,395,698
- trading rights		17,827	-
Bad debts written off		342,504	16,580
Capital gain on shares from KLSE demutualisation		-	(24,984,303)
Depreciation		11,466,161	10,939,628
Gain on disposal of property, plant and equipment		(414,871)	(54,580)
Gain on disposal of shares in Bursa Malaysia Berhad		(11,564,881)	-
Gain on disposal of investment in shares		(8,010,673)	(4,536,119)
Gross dividend income		(1,718,191)	(223,228)
Interest expense		9,039,424	17,799,538
Interest income		(52,512,682)	(57,577,014)
Net loss/(gain) from disposal of securities in equity and futures markets		45,103	(29,989)
MESDAQ admission fees written off		153,966	-
Profit payment on BaIDS		3,962,773	2,824,734
Plant and equipment written off		840,820	531,762
Provision for compensation for legal suit		2,158,779	55,199,444
Reversal of allowance for diminution in value of:			
- fund manager's stocks		(3,339)	(99,597)
- marketable securities		(27,681)	(153,956)
Share of profits of associated companies		(8,609,666)	(1,018,276)
Operating profit before working capital changes		33,405,511	73,834,114

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT - GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONT'D)

	Note	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)			
Increase in development costs		(2,077,090)	(11,404,023)
Increase in investment in securities		(2,441,397)	(26,283,540)
Decrease in fund manager's stocks		758,426	1,895,755
Decrease in trade and other receivables		92,403,827	94,775,028
Decrease/(Increase) in amount due from associated company		30,390	(30,390)
Increase in cash held in segregated accounts		(386,871)	(33,670,969)
Increase in trade and other payables		58,745,429	38,788,631
Increase in progress billings		2,332,578	-
Cash generated from operations		182,770,803	137,904,606
Income tax paid		(33,859,067)	(27,820,532)
Interest paid		(9,106,916)	(18,109,214)
Interest received		42,675,132	49,270,413
Refund of income tax		-	5,534,974
Net cash from operating activities		182,479,952	146,780,247
Cash Flows From Investing Activities			
Acquisition of additional shares in subsidiary companies	35	(6,662,421)	(6,267,888)
Acquisition of intangible asset		(432,933)	-
Net cash (outflow)/inflow from acquisition of subsidiary companies	6(a)	(3,218,309)	13,823
Capital distribution from share consolidation of Bursa Malaysia Berhad		13,636,363	-
Dividend received		1,308,089	162,400
Dividend received from associated company		-	172,800
Interest received		9,837,550	8,306,601
Increase in security deposit		(1,380,048)	-
Proceeds from disposal of property, plant and equipment		695,581	121,053
Proceeds from disposal of securities in equity and futures markets and fixed income instruments		53,587,122	61,934,784
Proceeds from disposal of shares in Bursa Malaysia Berhad		22,912,821	-
Purchase of property, plant and equipment		(12,375,598)	(20,516,240)
Additional investment in associated company		(108,986,432)	(887,550)
Purchase of securities in equity and futures markets and fixed income instruments		(27,831,290)	(72,684,464)
Refund from MESDAQ Berhad		65,201	-
Proceeds from/(Subscription for) private debt securities		216,963,174	(369,465,837)
Net cash from/(used in) investing activities		158,118,870	(399,110,518)

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT - GROUP

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (COUNT'D)

	Note	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to minority interest		(1,831,534)	(4,202,220)
Dividend paid to shareholders		(10,996,999)	(41,841,397)
Expenses for extension of Warrant B 2000/2010		(19,900)	-
Expenses for conversion of ICULS		(21,000)	-
(Repayment)/Drawdown of revolving credit		(279,824,926)	278,400,000
Repayment of RUB		(101,423,995)	-
Proceeds from issuance of BaIDS		-	45,214,130
Proceeds from exercise of Warrant A 1994/2004		-	117,897,847
Proceeds from conversion of ICULS		8,400	-
Proceeds from exercise of ESOS		97,755	3,365,445
Purchase of own shares		(16,035,754)	(32,087,117)
Proceeds from initial public offering by OSKVI		-	175,500,000
Professional fees paid for extension of warrants		-	(58,000)
Listing expenses paid by OSKVI		-	(2,462,578)
Net cash (used in)/from financing activities		(410,047,953)	539,726,110
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(69,449,131)	287,395,839
EFFECTS OF EXCHANGE RATE CHANGES			
		(124,535)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR			
		381,275,128	93,879,289
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR			
		311,701,462	381,275,128
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR COMPRISED:			
Cash, bank balances and deposits-General accounts	17	313,887,735	383,600,845
Bank overdrafts	20	(2,186,273)	(2,325,717)
		311,701,462	381,275,128

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT - COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	72,694,223	93,580,259
Adjustments for:		
Dividend income	(73,920,980)	(92,486,393)
Gain on disposal of quoted securities in Malaysia	(57,559)	(50,861)
Gain on disposal of subsidiary companies	-	(5,644,799)
Gain on disposal of investments in futures	-	(11,080)
Interest expense	1,476,345	9,139,947
Interest income	(1,801,581)	(5,528,635)
Allowance for diminution in value of marketable securities	165,625	-
Operating loss before working capital changes	(1,443,927)	(1,001,562)
Decrease/(Increase) in amount due from/(to)		
subsidiary companies	74,549,622	(46,215,207)
Decrease in amount due from an associated company	30,390	-
Decrease in other receivables	(53,466)	-
Decrease in other payables	(2,992,687)	(131,502)
Cash generated from/(used in) operations	70,089,932	(47,348,271)
Interest paid	(1,476,345)	(9,139,947)
Interest received	1,918,105	6,073,045
Income tax paid	(291,596)	(268,235)
Refund of income tax	-	2,962,388
Net cash from/(used in) operating activities	70,240,096	(47,721,020)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	57,478,919	69,794,149
Payment for acquisition of additional shares in		
subsidiary companies	(6,662,421)	(6,267,888)
Payment for subscription of shares in associated company	-	(827,550)
Payment for subscription of shares in subsidiary companies	(52,761,744)	(29,000,000)
Subscription of warrants in a subsidiary company	-	(9,617,750)
Purchase of investment in securities	(7,281,306)	(4,876,248)
Purchase of other investment	-	(31,981)
Proceeds from disposal of other investment	31,981	-
Proceeds from disposal of securities in equity and futures	5,840,652	2,425,880
Net cash (used in)/from investing activities	(3,353,919)	21,598,612

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT - COMPANY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONT'D)

	Note	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(10,996,999)	(41,841,397)
Expenses for extension of Warrant B 2000/2010		(19,900)	(58,000)
Expenses for conversion of ICULS		(21,000)	-
Proceeds from conversion of ICULS		8,400	-
Proceeds from exercise of Warrant A 1994/2004		-	117,897,847
Proceeds from exercise of ESOS		97,755	3,365,445
Purchase of own shares		(16,035,754)	(32,087,117)
Repayment of 3.5% RUB		(101,423,995)	-
Net cash (used in)/from financing activities		(128,391,493)	47,276,778
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(61,505,316)	21,154,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		62,723,851	41,569,481
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		1,218,535	62,723,851
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR COMPRISED:			
Cash, bank balances and deposits			
-General accounts	17	1,218,535	62,723,851

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is an investment holding company. The principal activities of the subsidiary and associated companies are described in Note 43. There have been no significant changes in the nature of these activities during the financial year other than those disclosed in the financial statements.

The Company is a public company limited by shares, incorporated under the Companies Act, 1965, domiciled in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

The total number of employees of the Group at the end of the financial year was 1,405 (2004: 1,452) inclusive of Paid Dealer's Representatives and Futures Broker Representatives in the stockbroking and futures subsidiary companies. The Company does not have any employee other than the 7 directors (2004: 7 directors) in office.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution on 27 February 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements of the Group and of the Company have been prepared under the historical cost convention and in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's significant accounting policies.

The carrying amount of the Company's investment in subsidiary companies is eliminated on consolidation as well as all intragroup balances and transactions and resulting unrealised profits and the consolidated financial statements reflect external transactions only. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered.

The financial statements of the Company and its subsidiary companies have been drawn up to the same reporting date.

Separate disclosure is made of minority interests that represents part of the net result of operations and the net assets of subsidiary companies attributable to interests which are not owned, directly or indirectly through subsidiary companies, by the Company.

Minority interests in the net income of the consolidated subsidiary companies for the reporting financial year are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiary companies are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any exchange differences where applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j).

Freehold land is not depreciated. Long term leasehold land is land held on long term lease with an unexpired period of 50 years or more. All leasehold land and buildings are depreciated over the period of lease (40 to 99 years).

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Freehold buildings	2%
Plant and machinery	20%
Motor vehicles	15%
Office equipment	15%
Furniture and fittings	10%
Renovations	10%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(d) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development cost not recognised as an expense is recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in subsidiary companies

A subsidiary company is a company in which the Company, directly or indirectly, controls the financial and reporting policies of an investee company or controls the composition of the Board of Directors so as to obtain benefits from its activities. The investment is held for long term.

Investments in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j). Impairment loss is recognised in the income statement of the Company.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(f) Investments in associated companies

An associated company is a company in which the Group and the Company hold a long term equity interest, have representation on the Board of Directors and are in a position to exercise significant influence over the financial and operating policy decisions.

Investments in associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j). Impairment loss is recognised in the income statement of the Company.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. The equity method of accounting involves recognition of the Group's share of the results of associated companies in the consolidated income statement. The Group's investments in associated companies are carried in the consolidated balance sheet at an amount that reflects its share of net assets of the associated companies and goodwill on acquisition.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Dividend income from associated companies are included in the income statement of the Company when the right to receive the dividend is established.

In the prior year, venture capital subsidiary companies of OSK Venture International Berhad have adopted a policy of not to equity account their investments in associated companies because these investments were acquired with the objective of capital appreciation through the subsequent disposal of the investments. However, during the year, these subsidiary companies have adopted a policy to equity account such investments in associated companies as the intention now is to hold them for long term and exercise significant influence through participation in the financial and operating policy decision of the investee. The effect of the above change on the prior year results have been accounted for through the statement of changes in equity.

(g) Other investments

Other long term investments

Other long term investments comprise admission fees as adviser and sponsor on MESDAQ market of Bursa Securities, shares from Kuala Lumpur Stock Exchange ("KLSE") demutualisation, transferable club memberships, unquoted shares in Malaysia and Guarantee Fund and Admission Fee paid to the Hong Kong Securities Clearing Company Limited ("HKSCC").

The MESDAQ admission fees are stated at cost less impairment losses and are amortised over 25 years from the date of fee paid. The admission fees, after netting off the final distribution received from MESDAQ Berhad upon its liquidation, have been written off in the current financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Other investments (Cont'd)

Other long term investments (Cont'd)

The shares from KLSE demutualisation are stated at an indicative fair value based on the underlying net tangible assets value of Bursa Malaysia Berhad Group ("Bursa Malaysia"). The capital distribution received from Bursa Malaysia upon its shares consolidation is offset against the shares' carrying amount.

The transferable club memberships and Guarantee Fund and Admission Fee paid to HKSCC are stated at cost less impairment losses.

The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j).

The unquoted shares are stated at cost less allowance for diminution in value. Allowance for diminution in value is recognised in the income statement. Reversal of allowance for diminution in value is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, had no allowance for diminution been recognised.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Short term investments

Investment in marketable securities are stated at the lower of cost and market value, determined on an aggregate portfolio basis. Cost is derived using the weighted average basis. Market value of marketable securities is calculated by reference to stock exchange quoted selling price at the close of business on the balance sheet date.

Indicative market value of the unquoted private debt securities is calculated by reference to the price provided by the bonds information service provider at the close of business on the balance sheet date.

Reduction in the carrying amount of investments and the reversal of such reduction are taken to the income statement.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Fund manager's stocks

Fund manager's stocks represent units held by a subsidiary company in unit trust funds and are stated at the lower of cost and market value. Cost is determined on a weighted average basis. Market value of trust units is based on the underlying value of the respective trust funds.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

(h) Development cost

Development cost is recognised as an expense in the financial year in which it is incurred except when the cost incurred on the development projects is recognised as development asset to the extent that such expenditure is expected to generate future economic benefits.

The capitalised development cost is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement based on a straight line basis over 7 years upon commencement of commercial operation where future economic benefits from development activities are probable and measurable. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(j).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Intangible assets

(i) Goodwill on consolidation

This represents the difference between the cost of acquisition and the fair value of the attributable net assets of the subsidiary acquired. Goodwill on consolidation is amortised through the consolidated income statement over 25 years.

(ii) Purchased goodwill

This represents the excess of the purchase price over the fair value of the attributable net assets of the business acquired. Purchased goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Purchased goodwill is amortised using the straight line method over 25 years.

(iii) Business and intellectual property

This represents amount paid to acquire business and intellectual property and is amortised on a straight line basis over 7 years upon commencement of commercial operation.

(iv) Trading rights

These represent transfer price paid for the trading rights of the Stock Exchange of Hong Kong and Hong Kong Futures Exchange Limited. Trading rights are stated at cost less accumulated amortisation and accumulated impairment losses. Trading rights are amortised using the straight line method over 5 years and 20 years respectively.

(j) Impairment of assets

The carrying amounts of goodwill, property, plant and equipment and investments in subsidiary and in associated companies are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The recoverable amount is the greater of the asset's net selling price and its value in use, which is measured by reference to the discounted future cash flows. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment loss is recognised in the income statement immediately. In the event of recognition of an impairment loss, the depreciation/amortisation charged for the asset will be adjusted in future periods to allocate the asset's revised carrying amount less its residual value on a systematic basis over its remaining useful life.

Impairment loss other than in respect of the goodwill is reversed when there has been a change in the estimates used to determine the asset's recoverable amount, which causes an increase in the recoverable amount.

Impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reversed the effect of the preceding event.

Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Trade and other receivables, bad and doubtful debts and interest-in-suspense

The receivables are stated at gross amount less allowances for bad and doubtful debts and interest-in-suspense. Known bad debts are written off to income statement when identified.

For trade receivables of stockbroking subsidiary companies specific allowance is made for debts which are considered doubtful or have been classified as non-performing, net of interest-in-suspense and taking into consideration any collateral held.

A general allowance based on percentage of its total trade receivables (as defined under the Rules of Bursa Securities), after deducting the amount of specific allowance and interest-in-suspense is also made to cover possible losses, which have not been specifically identified.

Interest is suspended and credited to the interest-in-suspense account when an account is classified as non-performing as set out in the Rules of Bursa Securities.

The policies on identification of non-performing accounts, specific allowance for doubtful debts, maintenance of a general allowance account and suspension of interest are in accordance with the Rules of Bursa Securities.

(l) Trade and other payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and income recognition

Company

Revenue comprises gross dividend income and interest income.

Subsidiary companies

Revenue comprises advisory and arrangement fees, carrying charges and facility fees, dividend income, fund manager's fees on sale of trust units, gain on disposal of fixed income instruments, gain on investment in shares, gross brokerage fees and commission, service and registration charges, Institutional Unit Trust Agent commission, interest income, placement fees, processing fees, rental income, revenue from sale of development properties, revenue from sale of oil palm fresh fruit, service charges on sale of trust units and underwriting commission.

Revenue is recognised in the income statement when:

- significant risks and rewards of ownership have been transferred to the buyers;
- it is probable that the economic benefits associated with the transaction will flow to the Group or Company; and
- the amount of revenue can be measured reliably.

Revenue is measured at the fair value of the consideration receivable and is recognised on the following basis:

(i) Rendering of services

- Advisory fees, arrangement fees, Institutional Unit Trust Agent commission, placement fees and underwriting commission are recognised on a cash or accrual basis.
- Carrying charges and facility fees, services and registration charges and processing fees are recognised on an accrual basis.
- Gross brokerage fees and commission of the stockbroking and futures broking subsidiary companies are recognised upon execution of trades.

(ii) Dividend Income

Dividends from subsidiary and associated companies and other investments are recognised when the right to receive the dividend is established.

(iii) Gain on disposal of fixed income instruments

This is recognised on an accrual basis.

(iv) Gain on disposal of investments in shares

This is recognised upon execution of trades.

(v) Interest income

Interest income from clients is recognised as it accrues, taking into account the effective yield on the amount.

Interest income from clients in the stockbroking subsidiary company is generally recognised on an accrual basis except when the receivable is classified as non-performing. Interest income from non-performing accounts will be suspended until it is realised on a cash basis, except for margin accounts where interest will be suspended until the account is reclassified as performing account. Classification of non-performing account is dealt with in accordance with the relevant rules of Bursa Securities.

Interest income from fixed income instruments, short term placements and fixed deposits with licensed financial institutions is recognised on a time proportionate basis that reflects the effective yield on the amount.

Interest income from other marketable securities is recognised on a cash basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and income recognition (Cont'd)

(vi) Management of unit trust funds

Fund manager's fees are recognised on an accrual basis. Service charges on sale of trust units are recognised upon allotment of units net of cost of units sold.

(vii) Rental income

This is recognised on an accrual basis.

(viii) Revenue from sale of development properties

Revenue from sale of development properties is accounted for by the stage of completion method in respect of all building units that have been sold. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the project can be reliably estimated.

(ix) Revenue from plantation

This represents the sales of oil palm fresh fruit bunches which is recognised net of discounts and returns when the goods are invoiced.

Other operating income is recognised on the following basis:

(i) Allowance for bad and doubtful debts written back and bad debts recovered are recognised on a cash basis.

Dividend income is recognised when the right to receive the dividend is established.

(ii) Gain on foreign exchange is recognised upon execution of foreign exchange contracts.

(iii) Gain on disposal of property, plant and equipment is recognised upon completion of the disposal.

(iv) Gain on disposal of quoted securities and investment in futures market are recognised upon execution of trades.

(v) Rental income from rubber plantation is recognised on an accrual basis.

(vi) Capital gain on shares from KLSE demutualisation is recognised upon allotment of shares from KLSE.

(o) Foreign currency conversion and translation

(i) Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the rates of exchange ruling at that date. Gains or losses on foreign exchange are taken up in the income statement.

(ii) Translation of financial statements of foreign entity

Assets and liabilities of foreign entity are translated into Ringgit Malaysia at the rates of exchange ruling on the balance sheet date while income and expense items are translated at the average rates of exchange for the financial year, a rate that approximates the actual exchange rate. The translation differences arising therefrom are taken into Exchange Fluctuation Reserve and are taken to the income statement upon the disposal of the foreign entity.

The exchange rates used in translation are as follows:

	2005	2004
Closing rate		
United States Dollar ("USD")	3.78	3.80
Hong Kong Dollar ("HKD")	0.49	N/A
Average rate		
USD	3.79	3.80
HKD	0.48	N/A
N/A - Not applicable		

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Capitalisation of borrowing costs

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

External borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the financial year less any investment income on the temporary investment of that borrowing.

All other borrowing costs including interests on inter-company loan or advance are recognised as an expense in the income statement in the financial year in which they are incurred.

(q) Cash flow statements and cash and cash equivalents

Cash flow statements are prepared using indirect method. Changes in cash and cash equivalents are classified into operating, investing and financing activities.

Cash and cash equivalents comprise cash in hand and at banks inclusive of bank balances held under Housing Development Accounts and Sinking Fund, short term placements and fixed deposits with licensed financial institutions, deposits at call and highly liquid investment which have an insignificant risk of changes in value less bank overdrafts, excluding bank balances, short term placements and fixed deposits under segregated accounts held in trust.

(r) Treasury shares

Treasury shares are shares repurchased and accounted for using the treasury stock method. The treasury shares are measured and carried at the cost of purchase which comprise the amount of the consideration paid and direct attributable costs.

The carrying amount of the treasury shares is offset against equity. The excess of the carrying amount over the share premium account is considered as a reduction of any other reserves.

The treasury shares can either be distributed as share dividends or reissued by resale in the open market. Where treasury shares are distributed as shares dividends, the cost of the treasury shares is accounted for as a reduction of the share premium and/or distributable reserves in accordance with subsection (3D) of Section 67 of the Companies Act, 1965. Where treasury shares are resold in the open market, no gain or loss is recognised and the differences between the sales consideration and the carrying amount of the treasury shares is recorded as a movement in equity.

Cancellation of treasury shares is dealt with in accordance with Section 67A of the Companies Act, 1965. The issued and paid-up share capital of the Company is diminished by the shares cancelled and the same amount of which is transferred to the Capital Redemption Reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(t) **Seven (7)-Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS")**

The BaIDS are bonds issued by a subsidiary company in accordance with the Islamic finance concept of Bai-Bithaman Ajil. In accordance with such concept, the subsidiary company sold certain assets to the subscribers, and repurchased them at the same price plus an agreed profit margin. The subsidiary company's payment of the purchase price is deferred in accordance with the maturities of 4 to 7 years, whilst the profit on BaIDS is paid half-yearly.

BaIDS are initially stated at cost, being the fair value of the consideration received. After initial recognition, the difference between the fair value and purchase price together with the profit payment on the BaIDS in each year is recognised as an expense and accredited to principal amount at a constant rate to the maturity of each series respectively. Further details of the BaIDS issue are disclosed in Note 25.

(u) Provision for liabilities

Provision for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(v) Financial instruments

(i) Financial instruments recognised on the balance sheets

Financial assets and financial liabilities carried on the balance sheets include short term and long term funds and borrowings, current and non-current investments, trade and other receivables/payables and amount due from an associated company. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument are reported as expense or income. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial instruments not recognised on the balance sheets

The Group and the Company did not enter into any contract involving financial instruments with off balance sheet risk.

(iii) Fair value estimation for disclosure purposes

The carrying amounts of the short term and long term financial assets and liabilities are assumed to approximate their fair values other than as disclosed in Note 45(e).

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policies were established to ensure adequate financial resources for business development and manage its credit, liquidity, cash flow, market, interest rate and currency risks. The Group manages and allocates its capital resources centrally to ensure that all business units of the Group maintain the required level of capital and prudent level of liquidity at all times. The Group operates within clearly defined guidelines that are approved by the Board of Directors and within the guidelines imposed by the relevant authorities in respect of firewall for the Universal Broker.

The Group's stockbroking business is supervised by the Securities Commission and Bursa Securities. The Group is required to maintain capital adequacy requirements in accordance with the relevant rules of Bursa Securities, which are principally designed to ensure that the stockbroking subsidiary company is an entity of substance so as to foster confidence in the stock market and to create an environment in which the stockbroking subsidiary company is able to carry out its business within the ambit of the market environment without disruption to the overall activities in the going concern manner.

The Group's policies in respect of the major areas of financial risk activities are set out as follows:

(a) Credit risk

Credit risk is the risk of default by clients. The Group conservatively manages its credit risk by controlling the granting of credit approvals, revision in limits and other monitoring procedures. Credit risk is minimised via emphasising the Group's associations with business partners of high creditworthiness. A credit approval authority limit structure approved by the Board of Directors is in place for granting credit facilities from the Group. Trade and financial receivables are monitored on a timely ongoing basis via group-wide management reporting procedures.

Allowances for bad and doubtful debts are made and interest income is suspended in accordance with the relevant rules of Bursa Securities (for the stockbroking subsidiary company) or when deemed necessary based on estimates of possible losses that may arise from non-collection of debts. Write-off of debts against specific allowances are made only when avenues of recovery have been exhausted and the loans are deemed to be irrecoverable in the foreseeable future.

Exposure in credit risk also arises from the financial transactions with counter parties in debt instruments and money market activities. The exposure of such risk is mitigated via preventive risk measure in limiting the activities within pre set exposure in accordance to the company overall risk appetite.

The Group does not generally commit itself to have any significant or concentration of credit risk that may arise from exposures to a single receivable or to groups of related receivables product types except under special circumstances as further approved by the relevant authorities. This risk, if any, will be managed with increased monitoring and requirements for limit reduction, lower margin of finance or additional collateral requirement on a rigorous basis.

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments.

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets and a flexible, cost-effective borrowing structure. The Group's policy seeks to ensure that all projected net borrowing needs are covered by commitment facilities. Also, debt maturities are closely monitored to ensure that the Group is able to meet its obligations as and when they fall due and any refinancing needs are met.

The Group manages the funding needs and allocates funds in such manner that all business units maintain optimum levels of liquidity which are sufficient for their operations.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Cash flow risk

Cash flow risk is the risk that the future cash flows associated with a monetary financial instrument will fluctuate in amount. Cash flow forecasts are prepared taking into account all major transactions. Any excess funds from operating cash cycles, which are temporary in nature, are invested in short term placements and fixed deposits as and when available with a wide array of licensed financial institutions at the most competitive interest rates obtainable.

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices. The Group participates in arbitrage activities involving derivatives. The risk of loss in value is minimised via adherence of qualifying criteria before making the investments and by continuous monitoring of the performance and medium term market risk of the investment limits set. Allowances are made in the income statement for adverse changes in the fair values of short to medium term investments whilst reversals are recognised to the extent of the allowances previously made. Except for fixed income instruments where accretion and amortisation are provided for long term investments, changes in the market values of other long term investments do not affect the book value of the investments unless there is an indication of diminution in value.

The Group minimises its exposure to adverse fluctuation in property value before investing in the property and continuously monitors the state of the property market. The Group optimises its returns on realisation by managing the timing of launching of the development properties based on the current and expected future trends of the property market. Allowance for impairment losses will be made in the income statement when there is adverse changes in fair values of these properties. Reversals are made immediately to the extent of the allowances previously made in the income statement when the adverse condition which leads to the impairment of assets no longer exists.

External conditions such as global and domestic economic climates that are generally unpredictable and uncontrollable may still affect the overall performance of the Group.

(e) Interest rate risk

Interest rate risk is the risk that the value or yield of a financial instrument will fluctuate due to changes in market interest rate. A mix of floating rate borrowings based on banks' base lending rates or cost of funds are set by the Group to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. The floating rate borrowings are monitored and negotiated according to changes in the interest rates to ensure that the Group benefits from enjoying the lowest possible finance cost. The Group does not generally hedge interest rate risks. However, hedging of risks through the use of medium term financial instruments may be adopted should its use result in cost savings. The Group has some investments in financial instruments where the value or yield will change in accordance to market interest rate. However these investments are for short term and insignificant for hedging. Should the financial instruments become long term and significant, the hedging process will be initiated.

3. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(f) Currency risk

The currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Group.

Currency risks relating to operating activities in the ordinary course of business of the Group are minimal and hedged through operational course of business. Currency exposures arising on the holding of monetary assets and liabilities denominated in foreign currencies, mainly bank balances and deposits with financial institutions are deemed insignificant in relation to the Group's activities.

Foreign exchange translation differences arising on consolidation are recorded and disclosed as exchange fluctuate reserve as part of shareholders' fund of the Group. The Group does not hedge the value of its foreign currency denominated investments in subsidiaries.

Overseas businesses, by its nature, is subject to risks including, but not limited to changing economic conditions, changes in global political scenes, changes in financial and trade regulations and foreign exchange rate volatility. Overall, the Group's reserves are sufficient to absorb any foreseeable adverse currency depreciation as the Ringgit Malaysia is currently stable in comparison to currency of the Group interest in long term overseas investment.

In dealing with its stewardship, the Board of Directors recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that any system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an ongoing process of identifying, assessing and managing key business areas, overall operational and financial risks faced by its business units as well as regularly reviewing and enhancing risk mitigation strategies.

4. PROPERTY, PLANT AND EQUIPMENT - GROUP

	As at 1.1.2005	Additions	Disposals	Acquisition of subsidiary company [Note 6(a)]	Written off	Foreign exchange difference	As at 31.12.2005
	RM	RM	RM	RM	RM	RM	RM
At cost							
Freehold land	1,564,521	-	-	-	-	-	1,564,521
Freehold land and buildings	156,545,453	201,000	-	-	-	-	156,746,453
Long term leasehold land	2,142,063	-	-	-	-	-	2,142,063
Long term leasehold land and buildings	9,104,804	-	-	-	-	-	9,104,804
Short term leasehold land and buildings	2,740,869	-	-	-	-	-	2,740,869
Building in progress	-	735,300	-	-	-	-	735,300
Plant and machinery	4,960	1,800	-	-	-	-	6,760
Motor vehicles	9,674,773	2,024,336	(1,602,712)	-	(103,457)	-	9,992,940
Office equipment	54,856,706	5,245,201	(7,981)	9,793	(45,827)	(39)	60,057,853
Furniture and fittings	12,059,536	1,708,117	(10,160)	23,741	(130,916)	(102)	13,650,216
Renovations	18,967,041	2,459,844	(29,687)	22,527	(1,067,559)	(150)	20,352,016
	267,660,726	12,375,598	(1,650,540)	56,061	(1,347,759)	(291)	277,093,795

	As at 1.1.2005	Charge for the year	Reversal for disposals	Acquisition of subsidiary company	Written off	Foreign exchange difference	As at 31.12.2005
	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation							
Freehold land and buildings	1,463,309	1,442,718	-	-	-	-	2,906,027
Long term leasehold land	46,067	23,034	-	-	-	-	69,101
Long term leasehold land and buildings	75,938	112,850	-	-	-	-	188,788
Short term leasehold land and buildings	462,440	68,522	-	-	-	-	530,962
Plant and machinery	3,608	800	-	-	-	-	4,408
Motor vehicles	5,422,751	1,263,675	(1,363,978)	-	(64,661)	-	5,257,787
Office equipment	37,096,070	5,598,488	(5,852)	-	(26,825)	96	42,661,977
Furniture and fittings	6,552,207	1,073,815	-	-	(38,882)	3	7,587,143
Renovations	7,473,533	1,882,259	-	-	(376,571)	3	8,979,224
	58,595,923	11,466,161	(1,369,830)	-	(506,939)	102	68,185,417

4. PROPERTY, PLANT AND EQUIPMENT - GROUP (CONT'D)

	Net book value	
	2005	2004
	RM	RM
Freehold land	1,564,521	1,564,521
Freehold land and buildings	153,840,426	155,082,144
Long term leasehold land	2,072,962	2,095,996
Long term leasehold land and buildings	8,916,016	9,028,866
Short term leasehold land and buildings	2,209,907	2,278,429
Building in progress	735,300	-
Plant and machinery	2,352	1,352
Motor vehicles	4,735,153	4,252,022
Office equipment	17,395,876	17,760,636
Furniture and fittings	6,063,073	5,507,329
Renovations	11,372,792	11,493,508
	208,908,378	209,064,803

	Details as at 1.1.2004		Depreciation
	At	Accumulated	charge
	cost	depreciation	2004
	RM	RM	RM
Freehold land	1,564,521	-	-
Freehold land and buildings	169,990,252	14,195,466	1,521,262
Long term leasehold land	2,142,063	23,033	23,034
Long term leasehold land and buildings	1,644,356	247,456	84,199
Short term leasehold land and buildings	2,714,180	394,030	68,410
Plant and machinery	20,788,366	20,347,140	135,092
Motor vehicles	7,922,533	4,460,647	1,025,619
Office equipment	49,302,421	31,859,032	5,276,342
Furniture and fittings	11,194,376	5,629,296	999,188
Renovations	17,701,499	5,895,849	1,806,482
	284,964,567	83,051,949	10,939,628

At the end of the financial year, fully depreciated assets at a total cost of RM22,825,235 (2004: RM22,393,513) are still in use.

5. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	Group	
	2005	2004
	RM	RM
Freehold land		
At beginning of financial year	137,402,587	138,498,216
Costs incurred during the financial year	2,800,574	6,240,933
Transfer to property development costs	(7,480,700)	(7,336,562)
At end of financial year	<u>132,722,461</u>	<u>137,402,587</u>
Property development costs		
At beginning of financial year	51,405,578	41,781,994
Costs incurred during the financial year	8,537,553	11,365,788
Transfer to amount due to a joint venture project	(49,040)	(206,798)
Transfer to property development costs	(1,393,728)	(1,535,406)
At end of financial year	<u>58,500,363</u>	<u>51,405,578</u>
Total land held for property development	<u>191,222,824</u>	<u>188,808,165</u>

(b) Property Development Costs

	Group	
	2005	2004
	RM	RM
Freehold land		
At beginning of financial year	17,338,081	10,001,519
Costs incurred during the financial year	221,822	-
Transfer from land held for property development	7,480,700	7,336,562
Reversal of development expenditure for completed projects	(2,832,723)	-
At end of financial year	<u>22,207,880</u>	<u>17,338,081</u>
Development costs		
At beginning of financial year	295,576,315	250,941,043
Cost incurred during the financial year	45,673,109	45,323,345
Transfer from land held for property development	1,393,728	1,535,406
Transfer to amount due to a joint venture project	(8,344,071)	(2,223,479)
Reversal of development expenditure for completed projects	(90,941,150)	-
At end of financial year	<u>243,357,931</u>	<u>295,576,315</u>
Total property development costs incurred to date	<u>265,565,811</u>	<u>312,914,396</u>
Costs recognised in income statement:		
At beginning of financial year	(255,453,850)	(206,667,760)
Recognised during the financial year (Note 27)	(46,695,365)	(48,786,090)
Reversal of development expenditure for completed projects	93,773,873	-
At end of financial year	<u>(208,375,342)</u>	<u>(255,453,850)</u>
Total property development costs	<u>57,190,469</u>	<u>57,460,546</u>

5. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

Included in property development costs of the Group incurred during the financial year is interest capitalised of RM67,492 (2004: RM309,676) as disclosed in Note 31.

OSK Properties Sdn. Bhd., a wholly owned subsidiary company of OSK Property Holdings Berhad ("OSKPH"), entered into a Joint Venture Agreement and a Supplementary Agreement on 23 October 1994 and 15 April 1998 respectively with Majlis Perbandaran Sungai Petani ("MPSP") to carry out a development project on land alienated by the Kedah State Authority to MPSP.

OSK Properties (Seremban) Sdn. Bhd., another wholly owned subsidiary company of OSKPH, entered into a Joint Venture Agreement with Menang Development (M) Sdn. Bhd. to develop various residential units and shophouses in Mukim of Rasah, Negeri Sembilan.

6. SUBSIDIARY COMPANIES

(a) Investments in subsidiary companies

	Company	
	2005 RM	2004 RM
Freehold land		
At cost:		
Quoted shares in Malaysia (Note)	275,336,617	268,674,196
Unquoted shares in Malaysia	839,187,334	808,922,235
Unquoted shares outside Malaysia	22,496,645	-
	<u>1,137,020,596</u>	<u>1,077,596,431</u>
At market value:		
Quoted shares in Malaysia	<u>269,285,492</u>	<u>212,339,547</u>

The particulars of the subsidiary companies are disclosed in Note 43.

	Company	
	2005 RM	2004 RM
Note		
Cost of investment in OSK Property Holdings Berhad ("OSKPH")		
At beginning of financial year	181,350,652	179,261,507
Add: Cost of additional 91,400 (2004: 1,785,364) shares purchased from open market	82,796	2,089,145
At end of financial year	<u>181,433,448</u>	<u>181,350,652</u>
Cost of investment in OSK Ventures International Berhad ("OSKVI")		
At beginning of financial year	87,323,544	-
Add: Subscription of special share issue, capitalisation of intercompany balances and transfer of investments	-	83,144,801
Add: Cost of additional 44,485,400 (2004: 18,442,300) shares purchased from open market	6,579,625	4,178,743
At end of financial year	<u>93,903,169</u>	<u>87,323,544</u>
	<u>275,336,617</u>	<u>268,674,196</u>
At market value:		
OSKPH	81,044,820	64,737,144
OSKVI	188,240,672	147,602,403
	<u>269,285,492</u>	<u>212,339,547</u>

6. SUBSIDIARY COMPANIES (CONT'D)

(a) Investments in subsidiary companies (Cont'd)

The difference between the cost and the market value of investment in OSKPH is not provided for in the financial statements as it is not considered as a permanent diminution in value.

2005

As disclosed in Note 40(f), from 15 July 2005 up to 28 November 2005, OSK Asia Holdings Limited ("OSKAH"), a subsidiary company incorporated in Hong Kong, acquired three subsidiary companies.

The acquisition had the following effect on the Group's financial results for the current financial year:

	2005 RM
Revenue	3,014,692
Loss from operations	(561,097)
Net loss for the current financial year	<u>(713,204)</u>

The acquisition had the following effect on the financial position of the Group as at the end of the financial year:

	2005 RM
Property, plant and equipment	1,240,708
Security deposits	780,060
Other investments	209,640
Intangible assets	935,466
Trade and other receivables	28,091,838
Cash and bank balances	12,589,786
Trade and other payables	(13,414,892)
Short term borrowings	(975,074)
Minority interests	(7,602,772)
Group's share of net assets	<u>21,854,760</u>

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary company were as follows:

	As at 15.7.2005 RM
Property, plant and equipment	56,061
Other investments	48,910
Trade and other receivables	13,604,380
Cash and bank balances	3,192,415
Tax recoverable	189,744
Trade and other payables	(9,735,866)
Group's share of net assets	7,355,644
Add: Goodwill on consolidation [(Note 12(a))]	522,380
Purchase consideration	<u>7,878,024</u>
Purchase consideration satisfied by cash	6,410,724
Shares in OSK Asia Holdings Limited	<u>1,467,300</u>
	<u>7,878,024</u>
Cash flow arising from acquisition:	
Purchase consideration satisfied by cash	(6,410,724)
Cash and cash equivalent of subsidiary company acquired	<u>3,192,415</u>
Net cash outflow of the Group	<u>(3,218,309)</u>

6. SUBSIDIARY COMPANIES (CONT'D)

(a) Investments in subsidiary companies (Cont'd)

Other than the above, there were no acquisition of new subsidiary company other than acquisition and subscription of additional shares in existing subsidiary companies and incorporation of new subsidiary companies in the current financial year.

2004

In the previous financial year, on 17 September 2004, the Group and the Company completed the acquisition of the remaining 50% equity interest in OSK Trustees Berhad ("OSKT") which comprise 70,000 ordinary shares of RM10 each which were issued and partly paid up to RM5 each for a total cash consideration of RM190,000. By virtue of the acquisition, OSKT has become a wholly owned subsidiary company of the Group.

The acquisition had the following effect on the Group's financial results for the previous financial year:

	2004
	RM
Revenue	123,179
Loss from operations	(178,014)
Net loss for the previous financial year	(178,014)

The acquisition had the following effect on the financial position of the Group as at the end of the previous financial year:

	2004
	RM
Property, plant and equipment	49,744
Trade receivables	23,500
Other receivables, deposits and prepayments	6,945
Cash and bank balances	118,231
Other payables, deposits and accruals	(47,320)
Deferred tax liabilities	(2,762)
Group's share of net assets	148,338

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary company were as follows:

	As at
	17.9.2004
	RM
Property, plant and equipment	47,108
Trade receivables	84,715
Other receivables, deposits and prepayments	16,894
Cash and bank balances	203,823
Other payables, deposits and accruals	(2,158)
Deferred tax liabilities [Note 11(b)]	(2,762)
Group's share of net assets	347,620
Less: Share of loss of associated company	(236,758)
Add: Goodwill on consolidation [Note 12(a)]	79,138
Purchase consideration	190,000
Purchase consideration satisfied by cash	190,000
Cash flow arising from acquisition:	
Purchase consideration satisfied by cash	190,000
Cash and cash equivalent of subsidiary company acquired	(203,823)
Net cash inflow of the Group	(13,823)

6. SUBSIDIARY COMPANIES (CONT'D)

	Company	
	2005 RM	2004 RM
(b) Amounts due from subsidiary companies		
Interest bearing	10,006,652	90,200,373
Non interest bearing	10,535,195	13,663,739
	<u>20,541,847</u>	<u>103,864,112</u>

The amounts due from subsidiary companies are unsecured and have no fixed terms of repayment. The interest bearing portion of the outstanding amount is charged interest at 2.75% (2004: 2.75%) per annum.

	Company	
	2005 RM	2004 RM
(c) Amounts due to subsidiary companies		
Non interest bearing	<u>53,088,031</u>	<u>61,860,674</u>

The amounts due to subsidiary companies are unsecured and have no fixed terms of repayment.

7. ASSOCIATED COMPANIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
(a) Investments in associated companies				
At cost:				
Quoted shares in Malaysia	123,400,425	-	-	-
Unquoted shares in Malaysia	1,987,550	1,987,550	1,987,550	1,987,550
Unquoted shares outside Malaysia	159	-	-	-
Share of post-acquisition results	15,936,270	1,825,999	-	-
	<u>141,324,404</u>	<u>3,813,549</u>	<u>1,987,550</u>	<u>1,987,550</u>
The Group's interest in the associated companies is analysed as follows:				
Share of net assets	40,922,538	3,750,999		
Share of goodwill in associates	7,057,559	-		
	<u>47,980,097</u>	<u>3,750,999</u>		
Goodwill on acquisition	93,344,307	62,550		
	<u>141,324,404</u>	<u>3,813,549</u>		
At market value:				
Quoted share in Malaysia	<u>224,878,697</u>	-		

The particulars of the associated companies are disclosed in Note 43.

(b) Amount due from an associated company

The amount due from an associated company amounting to RM30,390 at the end of the previous financial year represented operating expenses paid on behalf by the Company and had been fully received during the current financial year.

8. OTHER LONG TERM INVESTMENTS

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
At cost:					
(i) Quoted shares in Malaysia	(a)	10,817,632	12,812,449	-	-
(ii) Warrants in a subsidiary company	(b)	-	-	9,617,750	9,617,750
(iii) Unquoted shares in Malaysia:					
- Malaysian Rating Corporation Berhad		490,000	490,000	-	-
- Arising from KLSE demutualisation	(c)	-	24,984,303	-	-
- Preference shares in Bursa Malaysia Derivatives Berhad ("Bursa Derivatives")					
- Class "A"		1,500,000	1,500,000	-	-
- Class "B"		500,000	500,000	-	-
- Class "C"		200,000	200,000	-	-
- Other unquoted shares	(d)	5,000,000	22,422,215	-	-
		7,690,000	50,096,518	-	-
(iv) Unquoted shares outside Malaysia					
At cost	(d)	5,883,068	5,883,068	-	-
Foreign exchange difference		(1,000)	-	-	-
		5,882,068	5,883,068	-	-
(v) Admission fees as adviser and sponsor on MESDAQ market of Bursa Securities		250,000	250,000	-	-
Less: Accumulated amortisation					
At beginning of financial year		(30,000)	(20,000)	-	-
Amortisation during the financial year		(833)	(10,000)	-	-
At end of financial year		(30,833)	(30,000)	-	-
Less: Refund from MESDAQ Berhad		(65,201)	-	-	-
Less: Write off		(153,966)	-	-	-
		(250,000)	(30,000)	-	-
Net carrying value		-	220,000	-	-
(vi) Transferable golf club memberships		228,200	228,200	-	-
(vii) Guarantee Fund and Admission Fee paid to Hong Kong Securities Clearing Company Limited ("HKSCC")		209,640	-	-	-
(vii) Other investment		39,930	71,910	-	31,981
		24,867,470	69,312,145	9,617,750	9,649,731

8. OTHER LONG TERM INVESTMENTS (CONT'D)

Note a

The quoted shares in Malaysia comprise mainly shares invested by OSKVE, OSKTV and OSK Capital Partners Sdn. Bhd. ("OSKCP") which are engaged in the venture capital business amounting to RM10,817,632 (2004: RM 12,812,449) at market value of RM12,360,752 (2004: RM15,446,109). These investments are not deemed to be associated or subsidiary companies as the investments were acquired with the objective of achieving capital appreciation through the subsequent disposal of the investments.

Note b

During the previous financial year, the Company has subscribed for 31,926,068 warrants in OSK Property Holdings Berhad ("OSKPH") at the issue price of RM0.30 per warrant with incidental costs of RM39,930 amounting to a total of RM9,617,750, which were quoted and listed on the Main Board of Bursa Securities on 26 July 2004. The market value of the warrants at the end of the current financial year is RM6,385,214 (2004: RM8,779,669). The difference between the cost and the market value of the warrants is not provided for in the financial statements as it is not considered as a permanent diminution in value.

Note c

The shares from KLSE demutualisation comprise 9,090,909 ordinary shares in Bursa Malaysia Berhad received by OSK Securities Berhad ("OSKS") arising from the demutualisation of the Kuala Lumpur Stock Exchange which was completed on 5 January 2004. Under Section 4(4) of the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003, the shares cannot be disposed without the appropriate regulatory approvals until and unless such shares have been listed. Prior to Bursa Malaysia Berhad's listing on 18 March 2005, the shares had been consolidated to 6,072,728 ordinary shares. OSKS disposed all the shares during the current financial year after the shares were listed on the Main Board of Bursa Securities.

Note d

The unquoted shares mainly comprise shares invested by OSKVE, OSKTV and OSKCP. These investments are not deemed to be associated or subsidiary companies as the investments were acquired with the objective of achieving capital appreciation through the subsequent disposal of the investments. The decrease in other unquoted shares in Malaysia is due principally to adoption of equity accounting on associated companies by OSKVI Group during the financial year as disclosed in Note 2(g).

The carrying amounts of other long term investments are denominated in the following currencies:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
RM	24,468,830	69,122,145	9,617,750	9,649,731
HKD	209,640	-	-	-
USD	189,000	190,000	-	-
	<u>24,867,470</u>	<u>69,312,145</u>	<u>9,617,750</u>	<u>9,649,731</u>

9. SECURITY DEPOSITS

	Note	Group 2005 RM	2004 RM
Reserve fund with Hong Kong Futures Exchange Clearing Corporation Limited	(a)	731,305	-
Compensation fund with Hong Kong Futures Exchange Limited	(a)	48,754	-
Registration deposit of trust company	(b)	100,000	-
Security deposit and clearing fund with Bursa Malaysia Derivatives Clearing Berhad	(c)	1,499,989	1,000,000
		<u>2,380,048</u>	<u>1,000,000</u>

Note a

These represent security deposits paid by a subsidiary company, OSK Asia Futures Limited, to regulatory bodies in Hong Kong for trading in the futures market.

Note b

A subsidiary of the Group, OSK Trustees Berhad, paid an amount of RM100,000 to the Accountant General of Malaysia as security deposit required under Section (3) of the Trust companies Act, 1949 upon registration as a trust company.

Note c

Interest rates on security deposit and clearing fund ranged from 0.70% to 0.89% (2004: 0.73% to 0.84%) per annum.

The carrying amounts of security deposits of the Group are denominated in the following currencies:

	Group 2005 RM	2004 RM
RM	1,599,989	1,000,000
HKD	780,059	-
	<u>2,380,048</u>	<u>1,000,000</u>

10. DEVELOPMENT COST

	Group 2005 RM	2004 RM
At beginning of financial year	3,983,598	4,979,497
Less: Amortisation during the financial year	(995,900)	(995,899)
At end of financial year	<u>2,987,698</u>	<u>3,983,598</u>

11. DEFERRED TAXATION

	Group	
	2005 RM	2004 RM
(a) Deferred tax assets		
At beginning of financial year	449,555	36,704
Transfer from income statement (Note 32)	80,445	412,851
At end of financial year	530,000	449,555
The deferred tax assets mainly relate to temporary differences arising from unutilised tax losses and capital allowances.		
(b) Deferred tax liabilities		
At beginning of financial year	29,317,283	30,350,784
Effect from acquisition of subsidiary company (Note 6)	-	2,762
Transfer to income statement (Note 32)	(16,568)	(1,036,263)
At end of financial year	29,300,715	29,317,283
The deferred tax liabilities mainly relate to temporary differences arising from:		
Excess of capital allowances over depreciation	4,604,060	3,049,312
Fair value on land held for development and property development costs	24,944,587	26,351,374
Other temporary differences	(247,932)	(83,403)
	29,300,715	29,317,283

12. INTANGIBLE ASSETS

		Group	
	Note	2005 RM	2004 RM
Goodwill on consolidation	(a)	119,426,817	126,549,600
Purchased goodwill	(b)	46,516,468	48,912,166
Business and intellectual property	(c)	214,286	500,000
Trading rights	(d)	415,106	-
		166,572,677	175,961,766
<u>Note a - Goodwill on consolidation</u>			
At cost:			
At beginning of financial year		152,604,589	152,525,451
Acquisition of subsidiary companies [Note 6(a)]		522,380	79,138
Foreign exchange difference		(1,669)	-
At end of financial year		153,125,300	152,604,589
Accumulated amortisation:			
At beginning of financial year		(26,054,989)	(18,413,955)
Amortisation during the financial year (Note 30)		(7,643,493)	(7,641,034)
Foreign exchange difference		(1)	-
At end of financial year		(33,698,483)	(26,054,989)
Net carrying value		119,426,817	126,549,600

12. INTANGIBLE ASSETS (CONT'D)

	Group	
	2005	2004
	RM	RM
<u>Note b - Purchased goodwill</u>		
At cost:		
At beginning/end of financial year	59,892,449	59,892,449
Accumulated amortisation:		
At beginning of financial year	(10,980,283)	(8,584,585)
Amortisation during the financial year (Note 30)	(2,395,698)	(2,395,698)
At end of financial year	(13,375,981)	(10,980,283)
Net carrying value	46,516,468	48,912,166

The purchased goodwill represents the excess of the total cash consideration paid by OSKS, the stockbroking subsidiary company, on the acquisition of the entire stockbroking business of Premier Capital Securities Sdn. Bhd. over the fair value of the attributable net assets acquired. The acquisition was completed on 19 June 2000. OSKS has since then operated the business acquired as a branch in Ipoh, Perak Darul Ridzuan.

	Group	
	2005	2004
	RM	RM
<u>Note c - Business and intellectual property</u>		
At cost:		
At beginning/end of financial year	500,000	500,000
Amortisation during the financial year/At end of financial year	(285,714)	-
Net carrying value	214,286	500,000

On 23 March 2001, Finexasia.com Sdn. Bhd., a subsidiary company, entered into a conditional Sale and Purchase Agreement with Softaction.com Sdn. Bhd. to purchase its QuoteVision Intellectual Property and business excluding all liabilities and other assets for a total consideration of RM500,000. The consideration had been satisfied by the issuance of 250,000 new ordinary shares of RM1 each in Finexasia.com Sdn. Bhd. and cash of RM250,000.

	Group	
	2005	2004
	RM	RM
<u>Note d - Trading rights</u>		
At cost:		
Acquisition during the financial year/At end of financial year	432,933	-
Amortisation during the financial year (Note 30)/At end of financial year	(17,827)	-
Net carrying value	415,106	-

These represent transfer price paid for the acquisition of trading rights in the Stock Exchange of Hong Kong and Hong Kong Futures Exchange Limited.

13. TRADE RECEIVABLES

		Group	
	Note	2005 RM	2004 RM
Amount owing by clients	(a)	508,224,971	521,923,153
Less: Interest-in-suspense	(b)	(2,846,644)	(2,943,684)
Specific allowance for bad and doubtful debts	(c)	(12,432,692)	(10,098,921)
General allowance for bad and doubtful debts	(d)	(146,324)	(174,597)
		492,799,311	508,705,951
Amount owing by brokers		37,017,623	84,132,992
Amount owing by the Derivatives Clearing		2,403,278	7,785,578
Other trade receivables			
- property development activities		18,399,308	15,898,727
- unit trust activities		9,502,794	8,398,804
- others		312,604	175,189
		<u>560,434,918</u>	<u>625,097,241</u>

The trade credit term for securities trading of OSKS, the stockbroking subsidiary company, is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rule of Bursa Securities. For margin clients, the carrying period for each transaction shall be on a maximum term of 3 months, subject to review for rollover.

The trade credit term for fixed income instruments trading of OSKS generally ranges from the same trading day to 2 market days.

The normal credit term for purchasers of the development properties is 21 (2004: 21) days.

The Group has no significant concentration of credit risk that may arise from exposures to a single client or to a group of receivables.

13. TRADE RECEIVABLES (CONT'D)

Additional information on stockbroking subsidiary

The accounting policies and methods adopted in accounting for non-performing accounts are in accordance with Rule 1104 of Bursa Securities.

Treatment of interest-in-suspense and allowance for bad and doubtful debts have been made in accordance with the requirements of the Rule of Bursa Securities.

(a) Classification of non-performing accounts in accordance with the Rules of Bursa Securities

	Group	
	2005	2004
	RM	RM
Outstanding amount of non-performing accounts classified as:		
- doubtful	30,364	605,570
- bad	26,194,123	23,980,826
	<u>26,224,487</u>	<u>24,586,396</u>

(b) Movement of interest-in-suspense are as follows:

At beginning of financial year	2,943,684	8,150,171
Addition during the financial year	1,439,542	2,083,148
Reversal during the financial year	(770,066)	(1,367,437)
Write off during the financial year	(766,516)	(5,922,198)
At end of financial year	<u>2,846,644</u>	<u>2,943,684</u>

The disclosure requirement under Rule 1104.3(1) of Bursa Securities has been complied with.

(c) Movement of specific allowance for bad and doubtful debts are as follows:

At beginning of financial year	10,098,921	27,705,258
Addition during the financial year	4,706,602	3,186,971
Reversal during the financial year	(1,211,286)	(1,062,257)
Write off during the financial year	(1,161,545)	(19,731,051)
At end of financial year	<u>12,432,692</u>	<u>10,098,921</u>

The stockbroking subsidiary company of the Group has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Para 24 of the Rules of Bursa Securities in respect of amounts written off exceeding RM500,000.

13. TRADE RECEIVABLES (CONT'D)

(d) Movement of general allowance for bad and doubtful debts are as follows:

	Group	
	2005 RM	2004 RM
At beginning of financial year	174,597	238,469
Reversal during the financial year	(28,273)	(63,872)
At end of financial year	146,324	174,597

The carrying amounts of the trade receivables of the Group are denominated in the following currencies:

	2005 RM	2004 RM
RM	534,132,931	625,094,201
HKD	26,301,987	-
USD	-	3,040
	560,434,918	625,097,241

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Amount due from a joint venture project	(a)	-	1,301,114	-	-
Amount in relation to management of development projects	(b)	5,000,000	5,000,000	-	-
Interest receivable on fixed income instruments		-	6,079,884	-	-
Other deposits		4,311,706	3,026,072	4,500	4,500
Other receivables	(c)	9,043,676	19,438,983	31,235	116,793
Prepayments		1,953,629	3,409,629	22,500	-
		20,309,011	38,255,682	58,235	121,293

Note a

The amount due from a joint venture project is unsecured, interest free and has no fixed term of repayment.

Note b

This relates to the amount paid to manage development projects pursuant to two separate management agreements entered into by OSK Properties Management Sdn. Bhd., a wholly owned subsidiary company of OSKPH, with the developers for developing various residential units and shophouses on two parcels of development land located at Tapak Taman Botani, Sungai Buloh, Selangor.

Note c

Included in the other receivables of the Group and the Company are interest receivable on short-term placements and fixed deposits of RM209,077 (2004: RM368,042) and RM269 (2004: RM116,793) respectively. The interest rates of the short-term placements and fixed deposits are disclosed in Note 17.

15. SHORT TERM INVESTMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Securities quoted in Malaysia at cost	7,556,960	7,851,769	4,010,521	2,512,309
Less: Allowance for diminution in value	(1,845,532)	(1,561,468)	(165,625)	-
	5,711,428	6,290,301	3,844,896	2,512,309
Securities quoted outside Malaysia at cost	3,038,054	-	-	-
Private debt securities in Malaysia at cost (Note)	152,502,663	369,465,837	-	-
Unit trust fund quoted outside Malaysia at cost	502,051	503,970	-	-
Less: Allowance for diminution in value	(502,051)	(214,255)	-	-
	-	289,715	-	-
	<u>161,252,145</u>	<u>376,045,853</u>	<u>3,844,896</u>	<u>2,512,309</u>
At market value:				
Securities quoted in Malaysia	5,711,428	6,322,181	3,844,896	2,576,093
Securities quoted outside Malaysia	3,679,076	-	-	-
Private debt securities in Malaysia	152,503,925	378,280,250	-	-
Unit trust fund quoted outside Malaysia	-	289,897	-	-
	<u>161,894,429</u>	<u>384,892,328</u>	<u>3,844,896</u>	<u>2,576,093</u>

Note:

The private debt securities in Malaysia comprise debt securities subscribed by OSKS via underwriting commitments in year 2005. The decrease in private debt securities mainly due to realisation of such investments during the financial year.

The carrying amounts of short term investments are denominated in the following currencies:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
RM	158,214,091	376,045,853	3,844,896	2,512,309
USD	3,038,054	-	-	-
	<u>161,252,145</u>	<u>376,045,853</u>	<u>3,844,896</u>	<u>2,512,309</u>

16. FUND MANAGER'S STOCKS

	Group	
	2005 RM	2004 RM
Unit trusts quoted in Malaysia, at cost	806,685	1,565,111
Less: Allowance for diminution in value	(4,362)	(7,701)
	<u>802,323</u>	<u>1,557,410</u>
At market value	<u>802,923</u>	<u>1,566,990</u>

17. CASH, BANK BALANCES AND DEPOSITS

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
(a) General accounts					
Cash and bank balances		25,105,864	23,380,859	28,535	60,919
Housing Development Accounts	(a)	6,945,350	22,919,318	-	-
Short-term placements with:					
- licensed banks in Malaysia		149,100,328	38,480,519	1,190,000	-
- licensed banks outside Malaysia		3,951,280	-	-	-
- licensed discount houses		14,626,091	15,524,844	-	-
- licensed finance companies in Malaysia		1,000,000	-	-	-
Fixed deposits with:					
- licensed banks in Malaysia		106,672,773	209,078,934	-	-
- licensed banks outside Malaysia		1,736,049	-	-	-
- licensed finance companies		-	6,803,439	-	-
Sinking Fund:					
- fixed deposits with licensed financial institutions	(b)	-	62,662,932	-	62,662,932
Profit Service Reserve and Reserve Accounts	(c)	4,750,000	4,750,000	-	-
		<u>313,887,735</u>	<u>383,600,845</u>	<u>1,218,535</u>	<u>62,723,851</u>
(b) Segregated accounts	(d)				
Bank balances		21,972,186	18,748,092	-	-
Short-term placements with licensed banks		128,195,015	96,224,048	-	-
Fixed deposits with licensed banks		-	34,808,190	-	-
		<u>150,167,201</u>	<u>149,780,330</u>	<u>-</u>	<u>-</u>
		<u>464,054,936</u>	<u>533,381,175</u>	<u>1,218,535</u>	<u>62,723,851</u>

Note a

Cash held under the Housing Development Accounts represents monies received from purchasers of properties less payments or withdrawals pursuant to Section 7A of the Housing Developers (Control and Licensing) Act, 1966 and are therefore restricted from use in other operations.

Note b

Fixed deposits held in Sinking Fund in previous financial year represent monies received from exercise of Warrant B and/or internally generated funds set aside for redemption of 3.5% Redeemable Unsecured Bonds 2000/2005 that has been fully redeemed during the current financial year [Note 20(c)].

Note c

The reserve accounts are designated pursuant to the requirements under the BaIDS issued by OSKPH and for redemption of the Secondary Bonds.

Note d

Segregated accounts represent monies held in trust accounts and dividend accounts for clients and dealer's representatives. Trust accounts are maintained with licensed financial institutions in accordance with the rules of the relevant authorities.



17. CASH, BANK BALANCES AND DEPOSITS (CONT'D)

The effective interest rates of short term placements and fixed deposits at the balance sheet date are as follows:

	Group		Company	
	2005	2004	2005	2004
	%	%	%	%
General accounts	2.75 to 3.00	1.70 to 3.70	2.75	2.65 to 3.00
Segregated accounts	2.75 to 2.85	2.55 to 4.00	-	-

The average maturities of short term placements and fixed deposits at the balance sheet date are as follows:

	Group		Company	
	2005	2004	2005	2004
	Days	Days	Days	Days
General accounts	21	29	3	10
Segregated accounts	4	9	-	-

The carrying amounts of cash, bank balances and deposits are denominated in the following currencies:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
RM	452,979,656	531,793,375	1,218,535	62,723,851
HKD	4,154,883	-	-	-
USD	6,920,397	1,587,800	-	-
	<u>464,054,936</u>	<u>533,381,175</u>	<u>1,218,535</u>	<u>62,723,851</u>

18. TRADE PAYABLES

	Group	
	2005	2004
	RM	RM
Amount due to clients	131,733,251	171,502,348
Amount due to brokers	159,468,837	30,967,999
Other trade payables		
- property development activities	12,396,229	16,796,834
- unit trust activities	2,430,864	8,764,314
	<u>306,029,181</u>	<u>228,031,495</u>

The trade credit term for securities trading of OSKS, the stockbroking subsidiary company, is 3 market days in accordance with the Fixed Delivery and Settlement Trading Rule of Bursa Securities.

The trade credit term for fixed income instruments trading of OSKS generally ranges from the same trading day to 2 market days.

The normal trade credit term granted by suppliers and sub-contractors of the development activities generally ranges from 30 days to 90 days (2004: 30 days to 90 days).

The carrying amounts of the trade payables of the Group are denominated in the following currencies:

	Group	
	2005	2004
	RM	RM
RM	293,271,682	228,031,495
HKD	12,757,499	-
	<u>306,029,181</u>	<u>228,031,495</u>

19. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables	5,432,068	6,679,724	8,285	31,879
Deposits:				
- trading deposits from dealer's/ futures broker representatives	30,731,264	35,143,523	-	-
- rental and utilities deposits from tenants	1,063,820	1,100,534	-	-
- other deposits	7,950	-	-	-
	31,803,034	36,244,057	-	-
Accruals:				
- commission payable to dealer's/futures broker representatives	1,594,286	3,036,708	-	-
- commission payable to unit trust agents	1,963,492	2,437,920	-	-
- profit payment on BaIDS	875,000	449,734	-	-
- RUB and ICULS interests	-	3,028,093	-	3,028,093
- other accruals and provisions	23,591,503	23,470,647	165,000	106,000
	28,024,281	32,423,102	165,000	3,134,093
Provision for compensation for legal suits (Note)	57,358,223	55,199,444	-	-
	<u>122,617,606</u>	<u>130,546,327</u>	<u>173,285</u>	<u>3,165,972</u>

Note

Included in provision for compensation for legal suits is an amount of RM54,185,335 (2004: RM52,026,557) provided for a litigation claim against a subsidiary company of the Group as disclosed in Note 42(b).

20. SHORT TERM BORROWINGS

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Unsecured:					
Bank overdrafts	(a)	2,186,273	2,325,717	-	-
Revolving credits	(b)	106,075,074	385,900,000	-	-
3.5% Redeemable Unsecured Bonds 2000/2005 ("RUB")	(c)	-	101,423,995	-	101,423,995
		<u>108,261,347</u>	<u>489,649,712</u>	<u>-</u>	<u>101,423,995</u>

Note a

The bank overdrafts are supported by corporate guarantees from the Company. Interest is charged at 1.0% (2004: 1.0% to 2.0%) per annum above the banks' base lending rate.

Note b

The revolving credits are supported by corporate guarantees from the Company. Interest is charged at 1.5% (2004: 1.0% to 1.5%) per annum above the banks' cost of funds.

	Group	
	2005 RM	2004 RM
Repayment schedules of the revolving credits are as follows:		
- Rollover on daily basis	106,075,074	355,900,000
- Rollover on weekly basis	-	30,000,000
	<u>106,075,074</u>	<u>385,900,000</u>

Note c

On 2 March 2000, the Company made a rights issue of RM101,423,995 nominal value of RUB at 100% nominal value and RM101,423,995 nominal value of ICULS at 100% nominal value together with 101,423,995 detachable Warrant B on the basis of RM1 nominal value of RUB and RM1 nominal value of ICULS with 1 Warrant B for every 3 existing ordinary shares of RM1 each held prior to the Bonus Issue. The RUB were constituted under a Trust Deed dated 6 January 2000.

In accordance with the Trust Deed, a Sinking Fund was set up in Year 2001 under the legal control of the Trustee for the redemption of RUB. The contribution to the Sinking Fund comprised proceeds receivable from the exercise of Warrant B and/or internally generated funds at the following percentages at each anniversary of the issue date:

		Contribution of nominal value of RUB		
		Per annum	Amount	Accumulated
Year	Date	(%)	RM	amount RM
1	2 March 2001	10	10,142,400	10,142,400
2	2 March 2002	10	10,142,400	20,284,800
3	2 March 2003	20	20,284,799	40,569,599
4	2 March 2004	20	20,284,799	60,854,398
5	2 March 2005	40	40,569,597	101,423,995
		<u>100</u>	<u>101,423,995</u>	

20. SHORT TERM BORROWINGS (CONT'D)

The RUB matured on 1 March 2005. Pursuant to the Trust Deed, the outstanding 101,423,995 RUB of RM1 each as at the maturity date were fully redeemed by the Company on 2 March 2005 for cash at 100% nominal value amounting to RM101,423,995 together with the interest of RM577,057 accrued thereon.

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
RM	107,286,273	489,649,712	-	101,423,995
HKD	975,074	-	-	-
	<u>108,261,347</u>	<u>489,649,712</u>	<u>-</u>	<u>101,423,995</u>

21. SHARE CAPITAL

	Group/Company			
	Number of share		Amount	
	2005	2004	2005	2004
			RM	RM
Authorised:				
1,500,000,000 ordinary shares of RM1 each				
At beginning/end of financial year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning of financial year	584,777,720	518,097,855	584,777,720	518,097,855
Cancellation of shares repurchased (Note 23)	-	(35,482,600)	-	(35,482,600)
Conversion of ICULS	40,456,359	1,418,159	40,456,359	1,418,159
Exercise of ESOS	73,500	2,496,100	73,500	2,496,100
Exercise of Warrant A 1994/2004	<u>-</u>	<u>98,248,206</u>	<u>-</u>	<u>98,248,206</u>
At end of financial year	<u>625,307,579</u>	<u>584,777,720</u>	<u>625,307,579</u>	<u>584,777,720</u>

Warrant A

The detachable Warrant A which were issued pursuant to the issuance of RUB in the prior year were extended by an additional period of 5 years and had expired on 22 March 2004.

Warrant B

On 1 October 2004, the Adviser of the Company, OSKS, announced on behalf of the Board of Directors of the Company that the Securities Commission had approved the extension of the duration and exercise period of the Company's outstanding Warrant B 2000/2005 by five years from 1 March 2005 up to and including 1 March 2010 ("the Extension of Warrant B"). Subsequently, the shareholders and warrant holders of the Company approved the Special Resolution pertaining to the Extension of Warrant B at the Extraordinary General Meeting of Warrant holders on 9 November 2004.

Each Warrant B carries the right to subscribe for 1 new ordinary share of RM1 each at a subscription price of RM2.28 per share by cash at any time on or before 1 March 2010. The subscription price and the number of outstanding Warrant B are subject to adjustments in accordance with the provisions as set out in a Deed Poll dated 6 January 2000. (On 13 August 2002, pursuant to the capital distribution by the Company of 46,085,664 shares of OSKPH, the subscription price of Warrant B was adjusted from RM2.80 to RM2.28). At the end of the current financial year, the total number of Warrant B remaining unexercised is 101,423,826 (2004: 101,423,826).

On 9 May 2005, the subscription price of Warrant B has been revised from RM2.28 per share to RM2.23 per share pursuant to the distribution of share dividend as final dividend for the previous financial year ended 31 December 2004 on 19 May 2005 (Notes 23 and 34).

22. RESERVES

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable:					
Share premium	(a)	61,029,306	30,154,647	61,029,306	30,154,647
Capital redemption reserve	(b)	58,919,600	58,919,600	58,919,600	58,919,600
Reserve on consolidation	(c)	76,364,220	68,669,628	-	-
Foreign exchange reserve		(126,598)	-	-	-
Other reserve	(d)	4,826,574	-	-	-
		201,013,102	157,743,875	119,948,906	89,074,247
Distributable:					
Retained profits		342,127,454	306,622,235	394,248,043	348,912,061
		543,140,556	464,366,110	514,196,949	437,986,308

	Group/Company	
	2005 RM	2004 RM
<u>Note a - Share premium</u>		
At beginning of financial year	30,154,647	64,407,228
Add: Conversion of ICULS	51,784,141	1,815,245
Exercise of Warrant A 1994/2004	-	19,649,641
Exercise of ESOS	24,255	869,345
Less: Professional expenses incurred for extension of warrants	(19,900)	(58,000)
Professional expenses incurred for conversion of ICULS	(21,000)	-
Share dividend distributed (Notes 23 and 34)	(20,892,837)	-
Cost of treasury shares cancelled	-	(56,528,812)
At end of financial year	61,029,306	30,154,647
<u>Note b - Capital redemption reserve</u>		
At beginning of financial year	58,919,600	23,437,000
Add: Cancellation of 35,482,600 ordinary shares repurchased (Note 23)	-	35,482,600
At end of financial year	58,919,600	58,919,600

	Group	
	2005 RM	2004 RM
<u>Note c - Reserve on consolidation</u>		
At beginning of financial year	68,669,628	12,465,901
Add: Arising from acquisition of additional shares in subsidiary companies (Note 35)	7,694,592	56,203,727
At end of financial year	76,364,220	68,669,628

Note d - Other reserve

This comprises gain on deemed disposal of investment in associated companies and other non-distributable reserves.

23. TREASURY SHARES

	Group/Company	
	2005	2004
	RM	RM
<u>At cost:</u>		
At beginning of financial year	21,449,891	45,891,586
Repurchased during the financial year	16,035,754	32,087,117
Share dividend distributed [Notes 22(a) and 34]	(20,892,837)	-
Cancelled during the financial year	-	(56,528,812)
At end of financial year	<u>16,592,808</u>	<u>21,449,891</u>
<u>Number of treasury shares:</u>		
At beginning of financial year	13,946,400	28,756,100
Repurchased during the financial year	14,577,000	20,672,900
Share dividend distributed	(13,573,888)	-
Cancelled during the financial year (Notes 21 and 22)	-	(35,482,600)
At end of financial year	<u>14,949,512</u>	<u>13,946,400</u>
Total number of outstanding shares as issued and fully paid	<u>610,358,067</u>	<u>570,831,320</u>
Total number of outstanding shares of the Company	<u>625,307,579</u>	<u>584,777,720</u>

The shareholders of the Company, by a special resolution passed at the Extraordinary General Meeting ("EGM") held on 18 December 2000, approved the Company's plan to repurchase its own shares. The directors are committed to enhance the value of the Company to its shareholders and are of the opinion that the repurchase plan is to the best interests of the Company and its shareholders. The shareholders of the Company had during the EGM held on 8 April 2004 approved the renewal of authorisation for the aforesaid shares buy-back exercise. In accordance with the guidelines of Bursa Securities governing the purchase of own shares by a listed company, the aforesaid approval will continue in force until the conclusion of the forthcoming Annual General Meeting of the Company.

On 18 May 2004 and 23 November 2004 respectively, the directors made a Solvency Declaration pursuant to Section 67A of the Companies Act, 1965 and Part IIIA of Companies Regulations, 1966 that amongst others, the Company is and will remain solvent at the times of purchase of its own shares and that it will not become insolvent by incurring debts involved in the obligation for the shares so purchased.

The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The Company may distribute the treasury shares as dividend to the shareholders or re-sell the treasury shares in the market in accordance with the Rules of Bursa Securities or cancel the shares in accordance with Section 67A of the Companies Act, 1965.

Pursuant to a special resolution and announcement dated 24 October 2002, 23,437,000 ordinary shares repurchased at a total value of RM41,144,283 were cancelled in accordance with Section 67A of the Companies Act, 1965. During the previous financial year, pursuant to a special resolution and announcement dated 12 August 2004, 35,482,600 ordinary shares repurchased at a total value of RM56,528,812 (representing the cumulative treasury shares held as at 30 June 2004) were cancelled. The issued and paid-up share capital of the Company was diminished by the share cancelled and the same amount of which was transferred to the Capital Redemption Reserve [Note 22(b)].

During the current financial year, a total of 13,573,888 treasury shares at a total cost of RM20,892,837 were distributed on 19 May 2005 as final dividend for the previous financial year ended 31 December 2004 on the basis of one (1) treasury share for every forty five (45) ordinary shares held. [Note 22(a) and 34].

Number of treasury shares held as at the end of the financial year are 14,949,512 (2004: 13,946,400) at a total cost of RM16,592,808 (2004: RM21,449,891). The highest, lowest and average price paid for the shares repurchased were RM1.56, RM0.90 and RM1.10 (2004: RM1.70, RM1.43 and RM1.54) per share respectively. The repurchase transactions were financed by internally generated funds.

23. TREASURY SHARES (CONT'D)

Details of the shares repurchased for current financial year are as follows:

2005	Number of shares	Highest price RM	Lowest price RM	Average price RM	Total amount paid/ (distributed) RM
At beginning of financial year	13,946,400	1.70	1.43	1.54	21,449,891
Share dividend distributed	(13,573,888)	1.70	1.44	1.54	(20,892,837)
	<u>372,512</u>	<u>1.56</u>	<u>1.43</u>	<u>1.50</u>	<u>557,054</u>
Shares repurchased during the financial year:					
May 2005	3,651,100	1.10	1.02	1.06	3,886,635
June 2005	7,134,700	1.22	1.06	1.14	8,131,934
July 2005	1,071,000	1.18	1.13	1.16	1,243,772
August 2005	251,600	1.10	1.05	1.08	271,405
September 2005	1,886,800	1.05	1.01	1.03	1,954,636
November 2005	165,600	0.97	0.90	0.94	157,228
December 2005	416,200	0.95	0.90	0.93	390,144
	<u>14,577,000</u>	<u>1.22</u>	<u>0.90</u>	<u>1.10</u>	<u>16,035,754</u>
At end of financial year	<u>14,949,512</u>	<u>1.56</u>	<u>0.90</u>	<u>1.11</u>	<u>16,592,808</u>

All the shares repurchased are conducted through OSKS, the stockbroking subsidiary company, which have been entered into in the ordinary course of business and is not more favourable than those arranged with independent third parties.

Details of the share repurchased in the previous financial year are as follows:

2004	Number of shares	Highest price RM	Lowest price RM	Average price RM	Total amount paid/ (cancelled) RM
At beginning of financial year	28,756,100	1.98	1.28	1.60	45,891,586
Shares repurchased during the financial year:					
May 2004	776,900	1.68	1.58	1.64	1,272,627
June 2004	5,949,600	1.65	1.52	1.57	9,364,599
	<u>6,726,500</u>	<u>1.68</u>	<u>1.52</u>	<u>1.58</u>	<u>10,637,226</u>
Balance as at 30.6.2004	35,482,600	1.98	1.28	1.59	56,528,812
Cancellation of treasury shares	(35,482,600)				(56,528,812)
	<u>-</u>				<u>-</u>

Shares repurchased during the financial year:

July 2004	3,308,600	1.70	1.53	1.61	5,318,191
August 2004	8,957,800	1.60	1.44	1.50	13,465,985
September 2004	1,327,200	1.69	1.45	1.61	2,137,369
October 2004	225,800	1.56	1.44	1.52	343,832
December 2004	127,000	1.45	1.43	1.45	184,514
	<u>13,946,400</u>	<u>1.70</u>	<u>1.43</u>	<u>1.54</u>	<u>21,449,891</u>
At end of financial year	<u>13,946,400</u>	<u>1.70</u>	<u>1.43</u>	<u>1.54</u>	<u>21,449,891</u>

24. 6% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2000/2005 ("ICULS")

	Group/Company	
	2005	2004
	RM	RM
At beginning of financial year	92,232,100	95,465,504
Conversion and exercise of ICULS	(92,232,100)	(3,233,404)
At end of financial year	-	92,232,100

The ICULS which was constituted under a Trust Deed dated 6 January 2000 matured on 1 March 2005. Pursuant to the Trust Deed, the outstanding 92,172,100 ICULS of RM1 each as at the maturity date were mandatory converted into 40,426,359 new ordinary shares of RM1 each ("the Shares") at conversion price of RM2.28 each. The Shares were subsequently allotted on 10 March 2005 and listed on 18 March 2005.

During the current financial year, a total of 92,232,100 ICULS were converted into 40,456,359 new ordinary shares of RM1 each at conversion price of RM2.28 each.

25. SEVEN (7) YEAR SERIAL AL-BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BAIDS")

	Group	
	2005	2004
	RM	RM
Class A BalDS	50,000,000	50,000,000
Class B BalDS	25,000,000	50,000,000
	75,000,000	100,000,000
Less: Unaccredited discount on BalDS	(6,683,182)	(12,651,283)
BalDS expenses	(88,650)	(80,061)
	68,228,168	87,268,656
Less: Consolidation adjustment (Note)	-	(40,587,314)
	68,228,168	46,681,342

Note

A portion of the BalDS was subscribed by OSKS amounting to RM40,587,314 as at the end of the previous financial year.

The BalDS are constituted by a Trust Deed dated 6 April 2004 made by OSKPH, a subsidiary company and the Trustee for the holders of the BalDS.

OSKPH issued RM100 million nominal value BalDS on 6 April 2004. The BalDS are negotiable non-interest bearing secured Primary Bonds together with non-detachable Secondary Bonds. The Primary Bonds were issued in 4 tranches of RM25 million each, with maturities commencing from 2008 to 2011. Tranche No.1 and Tranche No. 2 were issued as "Class A BalDS" and Tranche No. 3 and Tranche No. 4 were issued as "Class B BalDS".

The BalDS profit, represented by the Secondary Bonds shall be payable semi-annually. The Secondary Bonds are redeemable every six months commencing six months after the issue date. The face value of the Secondary Bonds are computed based on the profit rates specified for each tranche of the Primary Bonds, i.e. from 4.5% to 5.0% (2004: 4.5% to 5.0%) per annum.

25. SEVEN (7) YEAR SERIAL AL-BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BAIDS") (CONT'D)

The terms of the BalDS contain various covenants, including the followings:

- (i) OSKPH shall maintain a Debt Service Cover Ratio of at least 1.43 times throughout the tenure of the BalDS.
- (ii) OSKPH shall maintain a Debt to NTA (net tangible assets) ratio of not more than 1.25 times throughout the tenure of the BalDS.
- (iii) OSKPH shall maintain a Profit Service Reserve Account ("PSRA") of an amount equivalent to one series of Secondary Bonds, which is pre-funded from the BalDS proceeds and shall be maintained at all times. OSKPH shall ensure that there are sufficient funds in the PSRA, at least one month before the scheduled redemption date of Secondary Bonds, failing which the amount shall be drawn from the Reserve Account.
- (iv) OSKPH shall maintain a Reserve Account of an amount equivalent to one series of Secondary Bonds, which is pre-funded from the BalDS proceeds and shall be maintained at all times.

The amount can be utilised to meet any scheduled redemption of Secondary Bonds in the event of a shortfall in the PSRA. Any utilised funds shall be replenished within two weeks from the date of utilisation.

The BalDS are secured by the followings:

- (i) Third party debentures incorporating a first fixed and floating charge over the present and future assets of OSK Properties Sdn. Bhd. ("OSKP"), a subsidiary company of OSKPH, excluding the landed properties.
- (ii) First fixed charge on the entire paid-up share capital of OSKPH and OSKP.
- (iii) First legal charge over the designated accounts; and
- (iv) Power of Attorney to authorise the Trustee to create a charge on the unsold portion of Lot 18479 and Lot 14215, Mukim Sungai Petani, Kuala Muda, Kedah (owned by OSKP) in the event of default or breach of the terms and conditions of the Trust Deed for the BalDS under a special covenant.

The terms of the Trust Deed prescribes that in the event of default, the outstanding amount of the Primary Bonds and the profit next due will become immediately due and payable.

On 20 May 2005, OSKPH made an early redemption of the entire RM25 million nominal value of Tranche No. 4 of the BalDS prior to its maturity date of 6 April 2011 from OSKS for a settlement proceed of RM22,070,000 (which comprised a gain element of RM1,673,500 being excess of the settlement proceed over the nominal value of the BalDS less accretion of discount) together with coupon payment of RM150,273 accrued thereon.

Pursuant to the redemption, OSKPH shall have no further obligations over Tranche No. 4 of the BalDS as the Primary Bonds No. 4 and Secondary Bonds Series No. 33 to 44 under Tranche No. 4 have been cancelled.

26. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Revenue include:				
Advisory and arrangement fees	8,727,503	10,981,741	-	-
Carrying charges and facility fees	10,361,147	7,497,630	-	-
Gross dividends from:				
- investment in shares	1,261,199	101,529	107,232	32,406
- a quoted subsidiary company in Malaysia	-	-	4,500,205	4,423,334
- unquoted subsidiary companies in Malaysia	-	-	69,073,543	87,790,653
- an unquoted associated company in Malaysia	-	-	240,000	240,000
	1,261,199	101,529	73,920,980	92,486,393
Gross brokerage fees and commission	95,899,058	134,522,266	-	-
Interest income from:				
- investing activities	8,941,405	7,249,979	365,780	1,757,441
- operating activities	42,432,263	48,941,544	-	-
- subsidiary companies	-	-	1,435,801	3,771,194
	51,373,668	56,191,523	1,801,581	5,528,635
Fund manager's fees	21,522,355	19,644,743	-	-
Gain on disposal of fixed income instrument	32,111,449	39,837,311	-	-
Gain on disposal of quoted securities in Malaysia	8,010,673	4,536,119	57,559	50,861
Processing fees	2,444,403	5,619,840	-	-
Placement fees	1,586,011	1,721,110	-	-
Property development revenue	71,838,293	73,138,483	-	-
Rental income	5,030,144	4,736,750	-	-
Revenue from sale of oil palm fresh fruit	526,336	794,041	-	-
Service charges on sale of trust units	17,908,151	23,750,827	-	-
Underwriting commission	3,289,943	4,879,490	-	-

27. DIRECT COSTS

	Group	
	2005 RM	2004 RM
Direct costs include:		
Assessment and quit rent	1,170,178	1,143,038
Commission to dealer's/futures broker representatives	20,656,745	31,578,787
Commission to unit trust/trustee agents	23,303,508	25,993,067
Fund manager's fees	4,713,058	-
Property development costs [Note 5(b)]	46,695,365	48,786,090
Referral fees	16,737,265	27,513,219
Securities Commission levy	1,513,979	1,984,391

28. OTHER OPERATING INCOME

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other operating income include:				
Allowance for bad and doubtful debts written back:				
- specific [Note 13(c)]	1,211,286	1,062,257	-	-
- general [Note 13(d)]	28,273	63,872	-	-
Bad debts recovered	719,093	7,157,902	-	-
Capital gain on shares from KLSE demutualisation	-	24,984,303	-	-
Gain on disposal of plant and equipment	414,871	54,580	-	-
Gain on disposal of shares in Bursa Malaysia Berhad	11,564,881	-	-	-
Gain on disposal of subsidiary company	-	-	-	5,644,799
Gain on foreign exchange realised	10,092	-	-	-
Gain on disposal of investments in futures	-	195,739	-	11,080
Gross dividends from:				
- quoted securities in Malaysia	162,916	38,384	-	-
- unquoted securities in Malaysia	294,076	83,315	-	-
Reversal of allowance for diminution in value of:				
- fund manager's stocks	3,339	99,597	-	-
- marketable securities	27,681	153,956	-	-
Interest income from:				
- investing activities	896,145	1,050,173	-	-
- operating activities	242,869	335,318	-	-
Rental income from rubber plantation	228,556	168,000	-	-

29. ADMINISTRATIVE EXPENSES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Administrative expenses include:				
Auditors' remuneration				
(i) Statutory audit				
- current year	265,041	221,640	-	27,000
- underprovision in prior year	8,870	1,270	-	-
(ii) Other services				
- current year	7,500	38,000	-	2,600
- underprovision in prior year	6,250	4,850	-	-
	287,661	265,760	-	29,600
Depreciation	11,466,161	10,939,628	-	-
Directors' remuneration [Note 36(b)]:				
(i) Fees				
- current year	282,000	225,000	124,000	84,000
- underprovision in prior year	26,000	5,000	26,000	-
(ii) Other emoluments	6,226,000	4,243,234	-	-
	6,534,000	4,473,234	150,000	84,000
Rental of equipment	6,950,752	6,960,889	-	-
Rental of premises	4,836,398	3,365,601	-	-
Staff costs:				
- Employees Provident Fund	6,563,567	6,026,240	-	-
- social security costs	524,618	412,435	-	-
- salaries, wages, allowances and bonus	57,331,397	52,725,351	-	-
- other staff related expenses	1,079,084	1,033,378	-	-
	65,498,666	60,197,404	-	-

30. OTHER OPERATING EXPENSES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other operating expenses include:				
Allowance for bad and doubtful debts				
- specific [Note 13(c)]	4,706,602	3,186,971	-	-
Amortisation of:				
- business and intellectual property [Note 12(c)]	285,714	-	-	-
- development costs (Note 10)	995,900	995,899	-	-
- goodwill on consolidation [Note 12(a)]	7,643,493	7,641,034	-	-
- MESDAQ admission fees [Note 8(c)]	833	10,000	-	-
- trading rights [Note 12(d)]	17,827	-	-	-
- purchased goodwill [Note 12(b)]	2,395,698	2,395,698	-	-
	11,339,465	11,042,631	-	-
Bad debts written off	342,504	16,580	-	-
Allowance for diminution in value of marketable securities	571,860	1,480,055	165,625	-
Loss on disposal of quoted securities outside Malaysia	45,103	165,750	-	-
Loss on foreign exchange	-	92,276	-	-
MESDAQ admission fees written off	153,966	-	-	-
Plant and equipment written off	840,820	531,762	-	-
Pre-operating expenses written off	16,216	-	-	-
Provision for compensation for legal suit (Note)	2,158,779	55,199,444	-	-

Note

Provision for compensation for legal suit for the current financial year is provided for interest cost (2004: compensation claim and interest cost) pertaining to a litigation claim against a subsidiary company of the Group as disclosed in Note 42(b).

31. FINANCE COSTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Accretion of discount on BalDS	1,364,602	1,547,273	-	-
Bank facilities commitment fees	4,922,801	3,660,380	-	-
Commission on letters of credit and bank guarantees	91,360	99,324	-	-
BalDS expenses	179,367	53,690	-	-
Profit payment on BalDS	3,962,773	2,824,734	-	-
Interest expense:				
- bank overdrafts/revolving credits	7,630,571	9,321,697	-	-
- RUB	577,057	3,549,785	577,057	3,549,785
- ICULS	899,288	5,590,162	899,288	5,590,162
- Others	-	11	-	-
	9,106,916	18,461,655	1,476,345	9,139,947
Less: Interest capitalised in property development cost [Note 5(b)]	(67,492)	(662,117)	-	-
	9,039,424	17,799,538	1,476,345	9,139,947
	19,560,327	25,984,939	1,476,345	9,139,947

32. TAX EXPENSE

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax expense in respect of:				
Current financial year				
- Malaysian income tax	19,133,950	31,054,699	16,407,562	21,669,812
- Deferred tax assets [Note 11(a)]	(80,445)	(412,851)	-	-
- Deferred tax liabilities [Note 11(b)]	(16,568)	(1,036,263)	-	-
- Share of taxation of associated companies	254,372	364,125	-	-
	19,291,309	29,969,710	16,407,562	21,669,812
Previous financial year				
- Malaysian income tax	(8,846,230)	238,559	(46,320)	78,929
	10,445,079	30,208,269	16,361,242	21,748,741

For the year of assessment 2005, chargeable income of certain subsidiary companies (being residents in Malaysia with paid-up capital of less than RM2.5 million) are taxed at the following rates:

On the first RM500,000 : 20%

In excess of RM500,000 : 28%

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Income tax rate applicable to the subsidiary companies in Hong Kong is 17.5% (2004: 17.5%).

Tax expense for the Company is calculated based on the statutory income tax rate of Malaysia at 28% (2004: 28%) of the estimated taxable profit for the financial year.

32. TAX EXPENSE (CONT'D)

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit before taxation ("PBT")	71,514,995	59,068,689	72,694,223	93,580,259
Tax at statutory tax rate of 28% on PBT	20,024,199	16,539,233	20,354,382	26,202,473
Tax savings at statutory tax rate of 20% on PBT	(179,897)	(41,289)	-	-
Effect of different tax rates in other country	80,702	-	-	-
Tax effect on non-taxable income	(10,576,568)	(8,881,482)	(4,255,813)	(4,532,661)
Tax effect on non-deductible expenses	9,843,261	22,386,591	308,993	-
Under/(over)provision of tax in prior year	(8,846,230)	238,559	(46,320)	78,929
Underprovision of deferred tax in prior year	611,402	-	-	-
Utilisation of previously unrecognised tax losses	(934,530)	(213,856)	-	-
Deferred tax asset not recognised	422,740	180,513	-	-
Tax expense	10,445,079	30,208,269	16,361,242	21,748,741

Subject to agreement by the Inland Revenue Board:

- (i) as at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of dividend amounting to RM353,638,000 (2004: RM294,540,000) out of its retained profits as at 31 December 2005 without incurring additional tax liability.
- (ii) the Group has the following tax relief to offset against future taxable profits:

	Group	
	2005	2004
	RM	RM
Unabsorbed tax losses	17,670,384	13,764,239
Unutilised pioneer losses	878,919	878,919
Unabsorbed capital allowances	3,655,288	3,591,574
	22,204,591	18,234,732

Finexasia.com Sdn. Bhd. ("Finex"), a subsidiary company, was granted Multimedia Super Corridor status on 3 October 2000 by Multimedia Development Corporation, which entitles Finex to enjoy 5 years tax exemption (known as "pioneer period"). This commenced from 21 September 2001 as confirmed by the Ministry of International Trade and Industry.

OSKTV and OSKVE, wholly owned subsidiary companies of OSK Ventures International Berhad which is in turn a subsidiary company of the Company, have been granted the Venture Capital Company tax exemption incentive pursuant to the Income Tax (Exemption) (No. 3) Order 2001, which was repealed subsequently by Income Tax (Exemption) (No.11) Order 2005.

The Income Tax (Exemption) (No.11) Order 2005 exempts a Venture Capital Company ("VCC") from payment of tax in respect of statutory income on all sources of income (other than interest income arising from saving or fixed deposits and profits from syariah-based deposits) for 10 years if 70% of the invested funds of the VCC are invested in Venture Company and in the form of seed capital, start-up or early stage financing. The tax exempt status is subject to annual certification by Securities Commission ("SC"). For OSKTV and OSKVE, the tax exempt period is effective from YA 2002 to YA 2011 and from YA 2003 to YA 2012 inclusive respectively.

33. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year by weighted average number of ordinary shares in issue during the financial year.

	Group	
	2005	2004
Profit for the financial year (RM)	45,401,015	25,236,748
Weighted average number of ordinary shares in issue	596,421,457	561,955,150
Earnings per share (sen)	<u>7.61</u>	<u>4.49</u>

There is no dilution effect on the earnings per share for the current financial year.

The fully diluted earnings per share of the previous financial year is calculated based on the adjusted profit for the financial year of RM29,263,619 over the adjusted number of shares in issue and issuable of 657,420,654. The adjusted profit for the year is arrived at after adding back interest (net of tax) on the ICULS which are assumed to be fully converted on 1 January 2004. The adjusted weighted average number of shares is calculated based on the weighted average number of shares in issue plus the incremental shares deemed issuable at no consideration pursuant to the exercise of warrants and the shares issuable pursuant to the conversion of ICULS on 1 January 2004.

34. DIVIDENDS

	Amount		Net dividend per share	
	2005	2004	2005	2004
	RM	RM	RM	RM
For the financial year ended 31 December 2003				
Final dividend of 5.0 sen per share less 28% income tax, paid on 17 June 2004	-	21,261,833	-	3.6
For the financial year ended 31 December 2004				
Interim dividend of 5.0 sen per share less 28% income tax, paid on 20 September 2004	-	20,579,564	-	3.6
Final dividend of 1 treasury share for every 45 ordinary shares held, distributed on 19 May 2005 (Note 22 and 23)	20,892,837	-	Not applicable	-
For the financial year ended 31 December 2005				
Interim dividend of 2.5 sen per share less 28% income tax, paid on 28 October 2005	<u>10,996,999</u>	<u>-</u>	<u>1.8</u>	<u>-</u>
	<u>31,889,836</u>	<u>41,841,397</u>		

At the forthcoming Annual General Meeting, a final dividend of 5% per share less 28% income tax in respect of the financial year ended 31 December 2005 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2006.

35. EFFECTS OF ACQUISITION OF ADDITIONAL SHARES IN SUBSIDIARY COMPANIES

	Group	
	2005	2004
	RM	RM
Net assets acquired from minority interest	14,357,013	62,471,615
Reserve on consolidation [Note 22(c)]	(7,694,592)	(56,203,727)
Cash outflow on acquisition	<u>6,662,421</u>	<u>6,267,888</u>

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

(a) Subsidiary/associated companies

In accordance with Paragraph 5(a) and 5(b) of MASB Financial Reporting Standards 124: Related Party Disclosure, the Company is not required to disclose transactions between the Company and its subsidiary/associated companies.

(b) Directors' remuneration

The directors' remuneration included in administrative expenses as disclosed in Note 29 are paid/payable to the following directors of the Company:

Executive Directors

Dato' Nik Mohamed Din bin Datuk Nik Yusoff

Ong Leong Huat @ Wong Joo Hwa

Dato' Nik Mohamed bin Nik Yahya

Wong Chong Kim

Non-Executive Directors

Wong Chong Che

Dato' Mohamed Tarmizi bin Mohd. Tahir

Dr. Choong Tuck Yew

The directors' remuneration consist of the following:

	Executive RM	Non- Executive RM	Total RM
Company			
2005			
Fee - provision for the financial year	68,000	56,000	124,000
- underprovision in prior year	12,000	14,000	26,000
	<u>80,000</u>	<u>70,000</u>	<u>150,000</u>
2004			
Fee - provision for the financial year	<u>48,000</u>	<u>36,000</u>	<u>84,000</u>
Group			
2005			
Fee - provision for the financial year	208,000	74,000	282,000
- underprovision in prior year	12,000	14,000	26,000
	<u>220,000</u>	<u>88,000</u>	<u>308,000</u>
Other emoluments			
- Employees Provident Fund	628,800	-	628,800
- Incentive/bonus provision	1,974,900	22,300	1,997,200
- Salaries	3,600,000	-	3,600,000
	<u>6,203,700</u>	<u>22,300</u>	<u>6,226,000</u>
	<u>6,423,700</u>	<u>110,300</u>	<u>6,534,000</u>
Benefits-in-kind	<u>83,300</u>	<u>-</u>	<u>83,300</u>

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(b) Directors' remuneration (Cont'd)

	Executive RM	Non- Executive RM	Total RM
Company (Cont'd)			
2004			
Fee - provision for the financial year	171,000	54,000	225,000
- underprovision in prior year	-	5,000	5,000
	171,000	59,000	230,000
Other emoluments			
- Employees Provident Fund	420,384	-	420,384
- Incentive/bonus provision	1,663,350	59,500	1,722,850
- Salaries	2,100,000	-	2,100,000
	4,183,734	59,500	4,243,234
	4,354,734	118,500	4,473,234
Benefits-in-kind	93,375	-	93,375

The number of directors of the Company in each remuneration band are as follows:

GROUP

	Executive	Non- Executive	Total
2005			
RM50,000 and below	-	3	3
RM50,001 up to RM100,000	1	-	1
RM450,001 up to RM500,000	1	-	1
RM1,350,001 up to RM1,400,000	1	-	1
RM4,450,001 up to RM4,500,000	1	-	1
	4	3	7

2004

	Executive	Non- Executive	Total
RM50,000 and below	-	2	2
RM50,001 up to RM100,000	1	1	2
RM500,001 up to RM550,000	1	-	1
RM1,150,001 up to RM1,200,000	1	-	1
RM2,550,001 up to RM2,600,000	1	-	1
	4	3	7

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(c) Other related corporations

(i) Companies in PJ Development Holdings Berhad Group

Identities	Nature of transactions	2005 RM	2004 RM
Damai Laut Golf Resort Sdn. Bhd.	(i) Hotel accommodation and related charges paid (ii) Office rental and parking fees received	17,950 (1,512)	56,003 (2,079)
Golden Parade Sdn. Bhd.	Rental paid for storage space	-	29,350
MM Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	64,254	23,434
Pengerang Jaya Pte. Ltd.	Brokerage received on share trading	-	(35,595)
PJ Equity Sdn. Bhd.	Brokerage received on share trading	-	(57,316)
PJD Concrete Products Sdn. Bhd.	Office rental and parking fees received	(89,289)	(87,210)
PJD Construction Sdn. Bhd.	Amount paid for construction works for property development projects	11,365,047	14,641,728
PJ Development Holdings Berhad	Office rental and parking fees received	(10,395)	(8,883)
PJD Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	54,590	25,249
PJD Management Services Sdn. Bhd.	(i) Fees paid for project management services (ii) Office rental and parking fees received	- (499,680)	964,250 (499,680)
PJD Marketing Sdn. Bhd.	Office rental and parking fees received	(75,756)	(77,586)
Swiss Garden International Sdn. Bhd.	Office rental and parking fees received	(105,210)	(105,840)
Swiss Garden Management Services Sdn. Bhd.	Hotel accommodation and related charges paid	41,779	48,859
Swiss Garden Rewards Sdn. Bhd.	Office rental and parking fees received	(75,756)	(76,449)
Swiss Garden International Vacation Club	Office rental and parking fees received	(215,382)	(214,500)

(ii) Companies in Dindings Consolidated Sdn. Bhd. Group

DC Services Sdn. Bhd.	Insurance premium paid	206,241	279,021
Dindings Consolidated Sdn. Bhd.	Office rental and parking fees received	(97,344)	(97,344)
Dindings Construction Sdn. Bhd.	Office maintenance/renovations/construction works paid	15,404,552	3,203,776
Dindings Life Agency Sdn. Bhd.	Insurance premium paid	175,545	200,081
Dinding Risks Management Services Sdn. Bhd.	(i) Insurance premium paid (ii) Office rental and parking fees received	685,344 (39,882)	639,917 (39,000)

36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND RELATIONSHIPS (CONT'D)

(c) Other related corporations (Cont'd)

Certain directors/major shareholders of PJ Development Holdings Berhad and Dindings Consolidated Sdn. Bhd. are the family members of Mr. Ong Leong Huat @ Wong Joo Hwa, Mr. Wong Chong Kim and Mr. Wong Chong Che.

Identities	Nature of transactions	Group	
		2005 RM	2004 RM
(iii) Cheang & Ariff	Legal fees paid	703,096	236,805
A partner of the aforesaid company is a director of OSKS.			
(iv) Willowglen (M) Sdn. Bhd.	Purchase of vision link video monitoring system	-	24,195

Certain directors of the aforesaid company are the family members of Mr. Ong Leong Huat @ Wong Joo Hwa, Mr. Wong Chong Kim and Mr. Wong Chong Che.

The above 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.

37. COMMITMENT

	Group	
	2005 RM	2004 RM
(a) Capital commitments:		
(i) Authorised and contracted for		
- acquisition of DMG & Partners Securities Pte Ltd [Note 40(s)]	112,222,200	-
- office equipment	218,519	202,500
- management and development of project [Note 14(b)]	5,200,000	5,200,000
- balance payment for a commercial property	1,262,700	201,000
(ii) Authorised but not contracted for		
- office equipment	133,342	423,863
	<u>119,036,761</u>	<u>6,027,363</u>
(b) Underwriting commitments	<u>195,000,000</u>	<u>105,187,523</u>
(c) As mentioned in Note 5(b), under the Joint Venture Agreement, OSK Properties Sdn. Bhd. is committed to construct 1,800 units of low cost houses and to clear and level a piece of vacant land of about 50 acres for the benefit of Majlis Perbandaran Sungai Petani with a minimum guaranteed value of RM71,000,000. As at 31 December 2005, the development project on the land is in progress. The Directors are of the opinion that the minimum guaranteed value can be met and hence no provision is required in the financial statements.		

38. SEGMENT INFORMATION - GROUP

(a) Business segments

The Group is organised into the following major business segments :

Universal Broker	- Debt securities, equity, nominees services and investment research services as well as corporate advisory activities.
Venture capital	- Provision of venture capital business and private equity business.
Property development	- Development of residential and commercial properties.
Financing	- Licensed money lender for initial public offers and share option schemes.
Property investment	- Management and letting of properties.
Unit trust	- Management of unit trust funds.
Futures and options	- Futures and options broking.
Holding entities	- Investment holding companies.
Investment bank	- Offshore investment banking activities.
Others	- Other business segments include provision of investment management and related services, professional wills, trustee services and discretionary asset management business which are not significant to be disclosed separately.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(a) Business segments

[illegible]

38. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments (Cont'd)

Financial Year Ended 31 December 2005

	Universal broker RM'000	Venture capital RM'000	Property deve- lopment RM'000	Financing RM'000	Property investment RM'000	Unit trust RM'000	Futures and options RM'000	Invest- ment bank RM'000	Holding entities RM'000	Others RM'000	Elimina- tions RM'000	Conso- lidated RM'000
Other information												
Tangible assets	788,136	87,808	287,214	162,133	168,060	30,976	44,580	10,143	91,109	45,943	-	1,716,102
Intangible assets	117,996	2,470	43,140	-	-	-	-	-	2,031	936	-	166,573
Investment in associated companies	-	137,175	-	-	-	-	-	-	-	4,149	-	141,324
Total segment assets	906,132	227,453	330,354	162,133	168,060	30,976	44,580	10,143	93,140	51,028	-	2,023,999
Segment liabilities	353,886	2,253	67,173	111,148	2,160	7,924	34,113	14	70,080	14,418	-	663,169
Capital expenditure	8,186	390	1,139	4	71	746	481	7	-	1,352	-	12,376
Non-cash expenses												
Allowance for bad and doubtful debts	4,707	-	-	-	-	-	-	-	-	-	-	4,707
Allowance for diminution in value of marketable securities	406	-	-	-	-	-	-	-	166	-	-	572
Amortisation	7,932	1,389	-	-	-	-	-	-	2,000	18	-	11,339
Bad debts written off	88	-	-	239	-	-	-	-	16	-	-	343
Depreciation	8,205	482	375	18	1,821	364	128	-	-	73	-	11,466
MESDAQ admission fee written off	154	-	-	-	-	-	-	-	-	-	-	154
Plant and equipment written off	841	-	-	-	-	-	-	-	-	-	-	841
Pre-operating expenses written off	-	3	-	-	-	-	-	-	13	-	-	16
Provision for legal suit	2,159	-	-	-	-	-	-	-	-	-	-	2,159
	24,492	1,874	375	257	1,821	364	128	-	2,195	91	-	31,597

(a) Business segments (Cont'd)

[illegible]

38. SEGMENT INFORMATION - GROUP (CONT'D)

(a) Business segments

Financial Year Ended 31 December 2004

	Universal broker RM'000	Venture capital RM'000	Property deve lopment RM'000	Financing RM'000	Property investment RM'000	Unit trust RM'000	Futures and options RM'000	Invest- ment bank RM'000	Holding entities RM'000	Others RM'000	Elimina- -tions RM'000	Conso- -lidated RM'000
Other information												
Tangible assets	1,003,666	264,797	304,944	177,732	167,927	34,408	49,259	10,344	89,594	3,431	-	2,106,102
Intangible assets	126,661	2,145	45,139	-	-	-	-	-	2,017	-	-	175,962
Investment in associated companies	-	-	-	-	-	-	-	-	-	3,813	-	3,813
Total segment assets	1,130,327	266,942	350,083	177,732	167,927	34,408	49,259	10,344	91,611	7,244	-	2,285,877
Segment liabilities	624,126	359	69,039	53,064	1,991	14,206	38,718	46	245,544	174	-	1,047,267
Capital expenditure	10,936	20	4,943	27	4,154	103	198	-	-	135	-	20,516
Non-cash expenses												
Allowance for bad and doubtful debts	3,187	-	-	-	-	-	-	-	-	-	-	3,187
Amortisation	7,972	1,072	-	-	-	-	-	-	1,999	-	-	11,043
Bad debts written off	-	-	-	12	-	-	5	-	-	-	-	17
Depreciation	7,874	448	267	54	1,860	342	86	-	-	9	-	10,940
Allowance for diminution in value of marketable securities	1,480	-	-	-	-	-	-	-	-	-	-	1,480
Plant and equipment written off	490	-	-	-	-	42	-	-	-	-	-	532
	21,003	1,520	267	66	1,860	384	91	-	1,999	9	-	27,199

(b) Geographical segments

For current and previous financial year, information on the Group's operation by geographical segments has not been provided as the Group operated principally in Malaysia.

39. EXECUTIVE SHARE OPTION SCHEME

During the previous and current financial years, the Company had granted options under the Executive Share Option Scheme ("ESOS") governed by the ESOS By-Laws that was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 May 2002.

The salient features of the ESOS are as follows:

- (a) Eligible grantees are executives of the Group (including executive directors) who have been in the full time employment or under an employment contract of the Group for a period of at least 12 full months of continuous service and whose employment have been confirmed in writing on or prior to the date of the offer. The eligibility for participation in the ESOS shall be based on the performance of the eligible grantees and shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (b) The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid up share capital of the Company at any point of time during the duration of the ESOS.
- (c) The ESOS shall be in force for a duration of 5 years from the date of implementation of the ESOS, i.e. from 18 February 2003 to 17 February 2008.
- (d) The option price for each share shall be at a discount of not more than 10% from the weighted average of the market quotation of the Company's shares in the daily list issued by Bursa Securities for the 5 market days preceding the date of offer, or at par value of the ordinary shares of the Company, whichever is higher.
- (e) The shares to be allotted upon any exercise of the option will upon allotment and issue rank pari passu in all respects with the existing ordinary shares of the Company.
- (f) No option shall be granted for less than 1,000 shares and shall not be more than the maximum allowable allotment for each eligible grantee allowed under their respective categories.

The movement of the ESOS during the current financial year is as follows:

Date of offer	Option RM	Number of options over ordinary shares of RM1.00 each				
		As at 1.1.2005	Granted	Exercised	Forfeited	As at 31.12.2005
27.6.2003	1.33	5,410,500	-	(73,500)	(454,100)	4,882,900
16.3.2004	1.95	11,049,000	-	-	(1,517,100)	9,531,900
29.4.2005	1.18	-	11,986,600	-	(1,129,000)	10,857,600

40. SIGNIFICANT EVENTS

- (a) On 24 January 2005, the Group and the Company subscribed for additional 60,000 and 12,000 ordinary shares of RM10 each in OSK Trustees Berhad ("OSKT") amounting to RM300,000 and RM60,000 respectively.
- Subsequently, on 15 March 2005, the Group and the Company subscribed for additional 200,000 and 40,000 ordinary shares of RM10 each in OSKT amounting to RM1,000,000 and RM200,000 respectively.
- Upon subscription of the above shares, OSKT remains as a wholly owned subsidiary company of the Group.
- (b) On 4 February 2005, the Sale and Purchase Agreement ("SPA") for acquisition of two companies in Hong Kong entered into by OSK Asia Holdings Limited ("OSKAH") (formerly known as Master Access Investments Limited) on 29 November 2004 was mutually terminated vide a Cancellation Agreement executed between the parties concerned with a compensation of HK\$400,000 to OSKAH. With the termination of the SPA, the Shareholders' Agreement with certain individuals and corporations in Hong Kong in respect of shareholding and management in OSKAH was automatically terminated.
- (c) The RUB of the Company which was constituted under a Trust Deed dated 6 January 2000 matured on 1 March 2005. Pursuant to the Trust Deed, the outstanding 101,423,995 RUB of RM1 each as at the maturity date were fully redeemed by the Company on 2 March 2005 for cash at 100% nominal value amounting to RM101,423,995 together with the interest of RM577,057 accrued thereon.
- (d) The ICULS of the Company which was constituted under a Trust Deed dated 6 January 2000 matured on 1 March 2005. Pursuant to the Trust Deed, the outstanding 92,172,100 ICULS of RM1 each as at the maturity date were mandatory converted into 40,426,359 new ordinary shares of RM1 each ("the Shares") at conversion price of RM2.28 each. The Shares were subsequently allotted on 10 March 2005 and listed on 18 March 2005.
- (e) On 2 March 2005, OSK Ventures International Berhad ("OSKVI") has incorporated a new subsidiary company, namely, OSK Capital Partners Sdn. Bhd. ("OSKCP"). OSKCP has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1 each and a paid-up share capital of RM2 comprising 2 ordinary shares of RM1 each. The principal activities of OSKCP are investment holding and private equity business.
- (f) On 15 July 2005, the proposed acquisition of the entire issued share capital in OSK Asia Securities Limited (formerly known as Prudence Securities Company Limited) ("OSKAS") comprising 15,000,000 ordinary shares of HK\$1 each was completed and purchase consideration was agreed at HK\$16,000,847 of which HK\$3,000,000 was paid via the issuance of 3,000,000 new ordinary shares of HK\$1 each in OSKAH and the balance in cash. Upon completion of such acquisition, OSKAS has become a wholly owned subsidiary of OSKAH.

On the same day, OSKAH entered into a Shareholders Agreement to collaborate in relation to the future business of OSKAH and with regards to the holding of shares in OSKAH and its management. An additional 55,999,999 shares of HK\$1 each in OSKAH have been issued to the respective shareholders and the Company has subscribed for an additional 39,999,999 ordinary shares of HK\$1 each and consequently OSKAH's interest in OSKAS have been diluted from 100% to 71.43%.

On 15 November 2005, OSKAS acquired one (1) share of HK\$1.00 each, representing the entire issued and paid-up share capital in OSK Asia Nominees Limited ("OSKAN"), for HK\$1.00 consideration. OSKAN was incorporated in Hong Kong on 14 October 2005 with an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each. By virtue of the acquisition, OSKAN has become a wholly-owned subsidiary of OSKAS.

On 28 November 2005, OSKH subscribed additional 6,000,000 ordinary shares of HK\$1.00 each in OSKAH. Upon allotment and issuance of such shares, OSKH has increased its shareholding in OSKAH from 71.43% to 74.19%.

40. SIGNIFICANT EVENTS (CONT'D)

- (g) On 4 May 2005, OSK Melaka Sdn Bhd ("OSKM"), a wholly owned subsidiary company of OSK Property Holdings Berhad ("OSKPH"), has initiated a members' voluntary winding up. There will be no material impact on the earnings and the net tangible assets of the Group.
- (h) On 9 May 2005, the subscription price of Warrant B 2000/2010 has been adjusted from RM2.28 per share to RM2.23 per share pursuant to the distribution of final share dividend for the previous financial year on the basis of 1 treasury share for every 45 existing ordinary shares held in the Company.
- (i) On 16 May 2005, OSKAH acquired a company, Regal Sun Investments Limited ("RSIL") comprising one share of HK\$1 each which represents the entire issued and paid-up share capital of RSIL. By virtue of the acquisition, RSIL has become a wholly owned subsidiary company of OSKAH. On 24 May 2005, RSIL changed its name to OSK Asia Futures Limited.
- (j) On 20 May 2005, OSKPH made an early redemption of the entire RM25 million nominal value of Tranche No. 4 of the Seven (7)-Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") prior to its maturity date of 6 April 2011 from OSK Securities Berhad ("OSKS") for a settlement proceed of RM22,070,000 together with the coupon payment of RM150,273 accrued thereon.

Pursuant to the redemption, OSKPH shall have no further obligations over Tranche No. 4 of the BaIDS as the Primary Bonds No. 4 and Secondary Bonds Series No. 33 to 44 under Tranche No. 4 have been cancelled.

- (k) On 26 May 2005, the proposed disposal of the 100% equity interest in KE-ZAN Holdings Berhad (a wholly owned subsidiary company of the Company) to OSKPH, comprising 105,750,000 ordinary shares of RM1 each for a consideration of RM138,561,086 to be satisfied by the issuance of 110,848,869 new ordinary shares of RM1 each of OSKPH at an issue price of RM1.25 per share, have been approved by the Securities Commission and Foreign Investment Committee, subject to certain terms and conditions.

On 14 November 2005, Securities Commission had approved an extension of time for a period of six months, up to 26 May 2006, for the implementation of the Acquisition of KHB by OSKPH.

- (l) On 20 July 2005, Aspect Synergy Sdn. Bhd., a wholly owned subsidiary company of OSKPH, increased its authorised share capital of RM100,000 to RM500,000 through the creation of 400,000 new ordinary shares of RM1 each and its issued and paid-up share capital of RM2 to RM250,000 through the issuance of 249,998 new ordinary shares of RM1 each at par for cash for working capital purposes.
- (m) On 13 September 2005, OSKPH acquired 100% equity interest in Aspect Potential Sdn Bhd ("APSB") which comprises 2 ordinary shares of RM1 each for a cash consideration of RM2. By virtue of the acquisition, APSB becomes a wholly owned subsidiary of OSKPH.
- (n) On 13 September 2005, the share consolidation of OSKVI was approved by the shareholders at the extraordinary general meeting held. The share consolidation of OSKVI was completed on 11 October 2005. Pursuant to the share consolidation, the RM500 million authorised share capital of OSKVI comprising of 5 billion ordinary shares of RM0.10 each has been consolidated into 500 million ordinary shares of RM1 each, and its issued and paid up share capital of RM150 million comprising 1.5 billion ordinary shares RM0.10 each has been consolidated into 150 million ordinary shares of RM1 each.
- (o) On 3 October 2005, the Company entered into a joint venture agreement with Ascendas (Malaysia) Pte Ltd to jointly form a fund management company to establish a Real Estate Investment Trust ("REIT") in Malaysia through acquisition of properties.

On 22 November 2005, Ascendas-OSK REIT Management Sdn Bhd ("AOSK") was incorporated with an authorised share capital of RM1,000,000 comprising of 1,000,000 ordinary shares of RM1 each and issued and paid up share capital of RM10,000 comprising of 10,000 ordinary shares of RM1 each. Upon incorporation, AOSK becomes a 51% owned subsidiary company of the Company.

40. SIGNIFICANT EVENTS (CONT'D)

- (p) On 9 November 2005, OSK Properties Sdn Bhd ("OSKP"), a wholly owned subsidiary of OSKPH, entered into a conditional sale and purchase agreement with Team Keris Sdn Bhd ("the Purchaser") for the disposal of two (2) parcels of land measuring 314 and 72.75 acres respectively located in Mukim of Sungai Petani, District of Kuala Muda, State of Kedah Darul Aman for a total consideration of RM52,225,173 subject to approval by the Foreign Investment Committee to be obtained by the Purchaser.
- (q) On 16 November 2005, OSK Securities Berhad, a wholly owned subsidiary company of the Company, made a public offering of up to 100,000,000 zero-strike basket call warrants ("Basket CW") (Cash-settled) at an initial issue price of RM1.08 per Basket CW. The public offering was allocated in the following manner:
- (i) 30,000,000 Basket CW, representing 30% of the public offering made to the public, companies, co-operatives, societies and institutions; and
 - (ii) 70,000,000 Basket CW, representing 70% of the public offering made available for application by selected investors.

On 30 November 2005, the final issue price of the Basket CW was determined at RM1.03 per Basket CW. The Basket CW was listed on the Main Board of the Bursa Malaysia Securities Berhad on 8 December 2005. Details of the Basket CW are disclosed in Note 44.

- (r) On 15 November 2005, OSKAH, had via its wholly owned subsidiary company, OSK Asia Securities Limited ("OSKAS"), acquired one share of HK\$1 each, representing the entire issued and paid up share capital in OSK Asia Nominees Limited ("OSKAN") for cash consideration of HK\$1. By virtue of the acquisition, OSKAN has become a wholly owned subsidiary company of OSKAS.
- (s) On 15 December 2005, OSKS has entered into a conditional Share Sale Agreement with Su E-Min & Co. (Singapore) Pte. for the acquisition of 15,300,000 ordinary shares of SGD1 each in DMG & Partners Securities Pte Ltd ("DMG"), representing 51% equity interest in DMG for an indicative purchase consideration of SGD49,220,263 to be wholly satisfied by cash.
- (t) On 22 December 2005, OSKVI entered into a conditional Joint Venture Agreement with its associated companies, mTouche Technology Berhad ("mTB") and Green Packet Berhad ("GPB") respectively, to form a new company, GMO Global Limited ("GMO") to undertake investments in relation to the cellular communication and wireless value added services business in the Asia Pacific region.

GMO was incorporated in the British Virgin Islands with authorised share capital of USD50,000 comprising of 50,000 ordinary shares of USD1 each and issued and paid up share capital of USD100 comprising of 100 ordinary shares of USD1 each. The shareholding of mTB, GPB and OSKVI in GMO are 40%, 40% and 20% respectively.

- (u) During the current financial year, the Company purchased additional 91,400 ordinary shares of RM1 each in OSKPH at a total cost of RM82,796 from the open market. As at 31 December 2005, the Company held a total of 60,033,200 shares (2004: 59,941,800 shares) representing 64.28% (2004: 59.94%) equity interest in OSKPH.
- (v) During the current financial year, the Company purchased additional 44,485,400 ordinary shares of RM0.10 each in OSKVI at a total cost of RM6,579,625 from the open market. As at 31 December 2005, the Company held a total of 88,792,770 shares of RM1 each (2004: 843,442,300 shares of RM0.10 each) representing 59.20% (2004: 56.23%) equity interest in OSKVI.

41. MATERIAL SUBSEQUENT EVENTS

- (a) On 4 January 2006, OSKS paid an initial deposit of RM10 million as part payment of a total contribution of RM52.5 million to Bank Negara Malaysia ("BNM") for an investment banking licence to transform OSKS from a Universal Broker into an Investment Bank.
- (b) On 7 February 2006, the shareholders of the Company have approved the proposed acquisition of 15,300,000 ordinary shares of SGD1.00 each in DMG & Partners Securities Pte Ltd ("DMG"), representing 51% equity interest in DMG for an indicative purchase consideration of SGD49,220,263 (equivalent to approximately RM112,222,200 based on an exchange rate of SGD1.00 : RM2.28) to be wholly satisfied in cash. The proposed acquisition of DMG is in accordance with the terms and conditions of Share Sale Agreement dated 15 December 2005 entered into between OSKS and Su E-Min & Co (Singapore) Pte.

42. MATERIAL LITIGATION

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.

(a) Seremban High Court Suit No.22-216-2003 Kamal, Lokman & Mustakim Holdings Sdn. Bhd. ("Chargor") and Ahmad Azari bin Mohd. Daud ("Azari") vs OSK Capital Sdn. Bhd. ("OSKC") and OSK Nominees (Tempatan) Sdn. Bhd. ("OSKNT") and Another

The suit instituted by the Chargor and Azari is for amongst others, 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 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 were served with the Writ of Summons and Statement of Claim on 13 January 2004 and have filed their appearance on 19 January 2004. The Assistant Registrar allowed OSKC's and OSKNT's preliminary objection that the Chargor which is in liquidation has no locus to maintain the action. The Official Assignee is appealing against this decision and it is fixed for mention on 4 May 2006. OSKC's and OSKNT's application to strike out the action by Azari was allowed by the Assistant Registrar on 9 January 2006. Azari has filed an appeal against this decision and his appeal is fixed for hearing on 8 May 2006.

In a related suit vide Seremban High Court Originating Summons No.24-882-2001 OSK Capital Sdn. Bhd. vs Kamal, Lokman & Mustakim Holdings Sdn. Bhd., OSKC has obtained an order for sale of the charged land. The first auction date of 13 October 2005 was adjourned to 22 February 2006. On the said date, Aspect Potential Sdn Bhd, a wholly owned subsidiary company of OSKPH, was the successful bidder at the reserve price of RM21.15 million.

In another related suit of Kuala Lumpur High Court Summons No.D5-22-851-2002 OSK Capital Sdn. Bhd. vs Ahmad Azari bin Mohd. Daud, OSKC commenced proceedings to recover the outstanding amount owing by Azari under the facility granted by OSKC to Azari.

(b) Kuala Lumpur High Court Suit No. D8 (D3)-22-543-1993 Asset Investments Pte. Ltd. ("the Plaintiff") vs O.S.K. & Partners Sdn. Bhd. (now known as OSK Securities Berhad) ("OSKS")

The suit was brought by the Plaintiff against OSKS claiming for losses arising from an asset-swap transaction which the former entered into in 1992 purportedly as a result of the latter's breach of contract and/or negligence and/or breach of statutory duty.

As at 17 December 2004, judgement was entered by the High Court against OSKS for the sum of RM26,984,729 with interest of 8% per annum from the date of filing of the said action, i.e. 27 May 1993 until full realisation and costs. The solicitors having conduct of this matter are of the view that OSKS has a moderate to high chance of successfully appealing against the judgement of the High Court.

The Notice of Appeal against the judgement of the High Court has been filed at the Court of Appeal. Concurrently, an application for stay of execution of the judgement pending the appeal was also filed at the High Court. On 25 January 2006, the Learned Judge allowed the application for a stay. On 17 February 2006, the Plaintiff filed an appeal against the decision of the High Court granting the stay and an appeal date is pending.

As at the end of the current financial year, a total of RM54,185,335 (2004: RM52,026,557) has been fully provided by OSKS for compensation for this legal suit as disclosed in Note 19.

43. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiary and associated companies of the Group, all of which are incorporated under the Companies Act, 1965, have the same financial year end as the Company and domiciled in Malaysia (unless otherwise indicated), are as follows:

Name of company	Principal activities	Equity interest	
		2005 %	2004 %
(A) Subsidiary companies of the Company:			
* Ascendas-OSK REIT Management Sdn. Bhd.	Management company for real estate investment trusts	51.00	-
OSK Securities Berhad (a Participating Organisation of Bursa Securities and a Universal Broker)	Stockbroking, corporate advisory, debt securities and related activities. During the financial year, the Company has commenced interbank market activities.	100.00	100.00
OSK Capital Sdn. Bhd.	Capital financing	100.00	100.00
OSK Futures And Options Sdn. Bhd. (a Participant of Bursa Derivatives and the Derivatives Clearing)	Futures and options broking and related activities	100.00	100.00
OSK Realty Sdn. Bhd.	Property investment	100.00	100.00
@* OSK Investment Bank (Labuan) Limited	Offshore investment banking activities	100.00	100.00
* OSK Asset Management Sdn. Bhd.	Discretionary asset management business	100.00	100.00
KE-ZAN Holdings Berhad	Investment holding and letting of commercial properties	100.00	100.00
OSK Ventures Sdn. Bhd.	Dormant	100.00	100.00
#* OSK Asia Holdings Limited	Investment holding	74.19	100.00
* OSK Property Holdings Berhad	Investment holding	64.28	59.94
* OSK Ventures International Berhad	Investment holding	59.20	56.23

43. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of company	Principal activities	Equity interest	
		2005 %	2004 %
(B) Subsidiary companies of OSK Securities Berhad:			
OSK Nominees (Tempatan) Sdn. Berhad	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00	100.00
OSK Nominees (Asing) Sdn. Berhad	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00
TCL Nominees (Tempatan) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00	100.00
TCL Nominees (Asing) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100.00	100.00
KE-ZAN Nominees (Asing) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100.00	100.00
OSK Research Sdn. Bhd.	Investment research services	100.00	100.00
* OSK-UOB Unit Trust Management Berhad	Management of unit trust funds	70.00	70.00
(C) Subsidiary companies of KE-ZAN Holdings Berhad:			
KPEN Sdn. Bhd.	Ceased operations	100.00	100.00
K.E. Malaysian Capital Partners Sdn. Bhd.	Ceased operations	60.00	60.00

43. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of company	Principal activities	Equity interest	
		2005 %	2004 %
(D) Subsidiary companies of OSK Property Holdings Berhad:			
* OSK Properties Sdn. Bhd.	Property development and cultivation and sale of oil palm fresh fruit bunches	100.00	100.00
* OSK Properties (Seremban) Sdn. Bhd.	Property development	100.00	100.00
* OSK Properties Management Sdn. Bhd.	Property management	100.00	100.00
* Aspect Potential Sdn. Bhd.	Property development	100.00	-
* Aspect Synergy Sdn. Bhd.	Property development	100.00	100.00
* OSK Melaka Sdn. Bhd. (In liquidation - voluntary)	Ceased operations	100.00	100.00
(E) Subsidiary companies of OSK Ventures International Berhad:			
* OSK Venture Equities Sdn. Bhd.	To undertake venture capital business	100.00	100.00
* OSK Technology Ventures Sdn. Bhd.	To undertake venture capital business	100.00	100.00
* OSK Private Equity Management Sdn. Bhd.	Management of investments in securities of venture companies	100.00	100.00
* OSK Capital Partners Sdn. Bhd.	Investment holding and private equity business	100.00	-
(F) Subsidiary companies of the Group:			
Finexasia.com Sdn. Bhd.	Development of financial services portal and related activities	88.02	88.02
The shareholding in Finexasia.com Sdn. Bhd. is held by:			
(i) OSK Venture Equities Sdn. Bhd.		47.97	47.97
(ii) OSK Securities Berhad		40.05	40.05
		88.02	88.02
OSK Trustees Berhad	Professional wills and trustee services	100.00	100.00
The shareholding in OSK Trustees Berhad is held by:-			
(i) OSK Holdings Berhad		20.00	20.00
(ii) OSK Securities Berhad		20.00	20.00
(iii) OSK Nominees (Tempatan) Sdn. Bhd		20.00	20.00
(iv) TCL Nominees (Tempatan) Sdn. Bhd.		20.00	20.00
(v) KE-ZAN Nominees (Tempatan) Sdn. Bhd.		20.00	20.00
		100.00	100.00

43. SUBSIDIARY AND ASSOCIATED COMPANIES (CONT'D)

Name of company	Principal activities	Equity interest	
		2005 %	2004 %
(G) Subsidiary company of Finexasia.com Sdn. Bhd.:			
Stock188.com Sdn. Bhd.	Application service provider to facilitate access to online equity trading, other online information and financial services	100.00	100.00
(H) Subsidiary companies of OSK Asia Holdings Limited:			
#* OSK Asia Futures Limited (Formerly known as Regal Sun Investments Limited)	Futures and options broking and related activities	100.00	-
#* OSK Asia Securities Limited (Formerly known as Prudence Securities Company Limited)	Stockbroking and related activities	100.00	-
#+* OSK Asia Nominees Limited	To act as attorneys, nominees, agents, trustees and engage in the related activities for beneficial shareholders	100.00	-
(I) Associated companies of the Company:			
* UOB-OSK Asset Management Sdn. Bhd.	Investment management and related services	30.00	30.00
* OSK Wealth Planners Sdn. Bhd.	Integrated financial planning services	50.00	50.00
(J) Associated companies of the Group:			
* Green Packet Berhad	Wireless networking and tele-communication products, networking solutions and other high technology products and services	20.27	3.63\$
* MNC Wireless Berhad	Sales and marketing, research and development of wireless, mobile and multimedia solutions and content and investment holding	20.71	10.00\$
* Ebworx Berhad	Provision of computer software applications and dealing in computer software and hardware for financial services industry	22.63	15.16\$
* mTouche Technology Berhad	Provision of innovative digital commerce solutions to the financial services industry	18.44	-
^* GMO Global Limited	Provision of cellular communication and wireless value-added services	20.00	-

* Audited by firms of Chartered Accountants other than Messrs. Peter I.M. Chieng & Co.

+ This subsidiary company has not commenced operations as at 31 December 2005.

These subsidiary companies were incorporated and domiciled in Hong Kong.

^ This associated company was incorporated and domiciled in the British Virgin Islands.

@ This subsidiary company was incorporated in the Federal Territory of Labuan, Malaysia.

\$ As disclosed in Note 2 (f), these investments were not equity accounted in the previous financial year.

44. BASKET CALL WARRANTS

Pursuant to the public offering of the Zero-Strike Basket Call Warrants ("Basket CW") as disclosed in Note 40(q), OSKS has completed the public offering of 20,500,000 Basket CW on 30 November 2005. The Basket CW has been listed on the Main Board of Bursa Malaysia Securities Berhad on 8 December 2005.

In accordance with the terms of the Basket CW, 1000 Basket CW are entitled to one Basket comprising a fixed composition of the Underlying Securities (i.e. the "Basket Components"). The Basket Components have been fixed and comprises 127 shares of 20 underlying companies which are listed on Bursa Malaysia Securities Berhad. Each Board Lot of the Basket CW comprises 100 Basket CW. The Final Issue Price has been determined to be RM1.03 per Basket CW on the completion date of 30 November 2005. The proceeds from the issuance of the Basket CW, after deducting the issuance expenses, were used to purchase the Underlying Securities. The Underlying Securities are held in trust by the Security Trustee for the benefit of the Basket CW holders.

Net dividends actually received on the Underlying Securities will be aggregated and distributed out as income to the Basket CW holders twice a year in May and November during the life of the Basket CW, after a deduction of 25% of the net dividends in favour of OSKS for management charges, and without interest.

The mode of exercise of the Basket CW is European style whereby it can be exercised by the holders only at the expiry date on 27 November 2009. The Basket CW is to be cash settled once the rights conferred is exercised by the holder. The holders are granted the exercise rights, in respect of each Board Lot of Basket CW to receive the Cash Settlement Amount upon exercise of the Basket CW. The other terms of the Basket CW, including the Settlement Price and the Exercise Price are stated in the Prospectus for the Basket CW dated 16 November 2005.

The Underlying Securities of the Basket CW are not recognised in the financial statements for accounting purposes as substantially the risks and rewards incidental to ownership of the Underlying Securities have been transferred to the Basket CW holders.



45. FINANCIAL INSTRUMENTS

(a) Credit risk

The Group and the Company have no significant concentration of credit risk from exposure to a single receivable or to groups of receivables except that the majority of the fixed deposits and short term placements are placed with major licensed financial institutions in Malaysia. The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

(b) Interest rate risk

The information on maturity dates and effective interest rates of financial assets and financial liabilities are disclosed in their respective notes.

(c) Operational risk

The operational risk arises from the daily function of the Group which includes legal risk, credit risk, reputation risk, financial funding risk and risk associated to daily running operational activities.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the Board recognises that effective risk management is an integral part of good business practice. The Board acknowledges that the Group's activities may involve some degree of risks and it should be noted that the system could only provide a reasonable and not absolute assurance against any misstatement or loss.

The Board will pursue an on-going process of identifying, assessing and managing key business areas, overall operational and financial risks faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies.

(d) Currency risk

There are no material unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies which may give rise to currency risk other than those disclosed in the respective notes to financial statements.

45. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

Group	2005		2004	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
Financial assets				
(i) <u>Other long term investments (Note 8)</u>				
Quoted shares in Malaysia	10,817,632	12,360,752	12,812,449	15,446,109
Unquoted shares in Malaysia				
Malaysian Rating Corporation Berhad	490,000	1,123,363	490,000	933,651
Shares from KLSE demutualisation	-	-	24,984,303	24,984,303
Class "A","B" and "C" preference share in				
Bursa Derivatives	2,200,000	*	2,200,000	*
Other unquoted shares	5,000,000	*	22,422,215	*
Unquoted shares outside Malaysia	5,882,068	*	5,883,068	*
MESDAQ admission fees	-	-	220,000	220,000
Transferable golf club memberships	228,200	1,292,000	228,200	1,282,000
Guarantee Fund and Admission Fee paid to HKSCC	209,640	*	-	-
(ii) <u>Short term investments (Note 15)</u>				
Securities quoted in Malaysia	5,711,428	5,711,428	6,290,301	6,322,181
Securities quoted outside Malaysia	3,038,054	3,679,076	-	-
Private debt securities in Malaysia	152,502,663	152,503,925	369,465,837	378,280,250
Unit trust fund quoted outside Malaysia	-	-	289,715	289,897
(iii) <u>Fund manager's stocks (Note 16)</u>				
Unit trusts quoted in Malaysia	802,323	802,923	1,557,410	1,566,990
Financial liabilities				
(i) RUB [Note 20(iii)]	-	-	101,423,995	100,916,875
(ii) BalDS (Note 25)	68,228,168	71,270,000	46,681,342	47,294,480
Company				
Financial assets				
(i) Warrants in a subsidiary company (Note 8)	9,617,750	6,385,214	9,617,750	8,779,669
(ii) Securities quoted in Malaysia (Note 15)	3,844,896	3,844,896	2,512,309	2,576,093
(iii) Amounts due from subsidiary companies [Note 6(b)]	20,541,847	#	103,864,112	#
(iv) Amount due from an associated company [Note 7(b)]	-	-	30,390	#
Financial liabilities				
(i) Amounts due to subsidiary companies [Note 6(c)]	53,088,031	#	61,860,674	#
(ii) RUB (Note 20)	-	-	101,423,995	100,916,875

* It is not practical to estimate the fair values of these unquoted investments due principally to a lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

It is not practical to estimate the fair values of amount due to/from subsidiary/associated companies due principally to a lack of fixed repayment terms entered by the parties involved and the inability to estimate fair value without incurring excessive costs.

45. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair values (Cont'd)

However, the Company does not anticipate the carrying amounts of these financial instruments to be significantly different from the values that would eventually be settled or received.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other long term investments

The fair value of shares in Malaysian Rating Corporation Berhad and shares from KLSE demutualisation is determined by reference to the net tangible assets of the underlying shares. The fair value of MESDAQ admission fees approximate the carrying amounts. The fair value of the transferable club membership is based on the current market price of the relevant golf club memberships.

(ii) Short term investments

The fair value of quoted investments including the warrants in a subsidiary company is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Fund manager's stocks and RUB

The fair value of these financial instruments is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iv) BaIDS

The fair value of fixed rate borrowing is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

(v) Trade and other receivables/payables, cash and cash equivalents and short term borrowings

The carrying amounts approximate fair values due to the relatively short term maturity in nature of these financial instruments.

At the end of the current financial year, the Group and the Company did not enter into any contract involving financial instruments with off balance sheet risk.

46. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current financial year's presentation so as to reflect appropriate presentation of the financial statements of the Group.

Group	Note	As previously stated RM	Adjustments RM	As restated RM
Balance Sheet				
Property, plant and equipment	(a)	210,938,103	(1,873,300)	209,064,803
Other receivables, deposits and prepayments	(a)	36,382,382	1,873,300	38,255,682
Other long term investments	(b)	28,384,413	40,927,732	69,312,145
Short term investments	(b)	416,973,585	(40,927,732)	376,045,853
Trade receivables	(c)	622,146,778	2,950,463	625,097,241
Trade payables	(c) & (d)	(248,986,058)	20,954,563	(228,031,495)
Progress billings	(d)	-	(23,905,026)	(23,905,026)

Note a

Prepayment for capital expenditure which was previously included in property, plant and equipment is being reclassified to other receivables, deposits and prepayment to reflect the nature of the item involved.

Note b

Short term investments held by venture capital subsidiary companies are being reclassified to other long term investments to reflect more appropriately the nature of the investments.

Note c

Trade receivable of RM2,950,463 which was previously included in trade payables is being reclassified to reflect the nature of the amount involved.

Note d

Progress billings which were previously included in trade payables are being reclassified and presented separately in the balance sheet.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Nik Mohamed bin Nik Yahya and Wong Chong Kim, being two of the directors of OSK HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 50 to 128 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DATO' NIK MOHAMED BIN NIK YAHYA

WONG CHONG KIM

Kuala Lumpur, Malaysia
27 February 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Soon Yeong Chyan, being the officer primarily responsible for the financial management of OSK HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 128 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Soon Yeong Chyan)
at Kuala Lumpur in the state of)
Wilayah Persekutuan on 27 February 2006) Soon Yeong Chyan

Before me,

Commissioner for Oaths
Kuala Lumpur, Malaysia

AUDITORS' REPORT

TO THE SHAREHOLDERS OF OSK HOLDINGS BERHAD

We have audited the financial statements set out on pages 50 to 128 of OSK HOLDINGS BERHAD. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) The financial statements have been properly drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 and so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the financial year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 43 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditor's reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

PETER I.M. CHIENG & CO.

No. AF 0311

Chartered Accountants

CHIENG ING MUI

CA(M), FCA, CPA

No. 711/06/06 (J/PH)

Petaling Jaya, Selangor Darul Ehsan

27 February 2006

LIST OF PROPERTIES

LOCATION	DESCRIPTION	EXISTING USE	AGE OF BUILDING	NET BOOK VALUE RM'000
1 Plaza OSK Jalan Ampang Kuala Lumpur	24 storey building situated on Lot 148, Section 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan. Land status: freehold land Land area: 5,351 square meters Title No: Geran 11034 Date of acquisition: 30 December 1993	Office building	21 years	99,128
2 No.40 Jalan Radin Anum 2, Bandar Baru Sri Petaling, Kuala Lumpur	3 storey shop house situated on Lot 21315 Mukim Petaling, Batu 7, Jalan Sungai Besi, Negeri Wilayah Persekutuan. Land status: leasehold land (expiring on 5/4/2078) Land area: 167 square meters Title No: PM1958 (formerly known as H.S.(M)2895) Date of acquisition: 28 April 1995	Office building	10 years	688
3 21-25, Jalan Seenivasagam, Greentown, Ipoh, Perak	7 storey office building including sub basement measuring 7,200 square feet at Town of Ipoh, District of Kinta, State of Perak held under the following titles: Geran No: 64312 –Lot 2279N Geran No: 64313 Lot 2280N Geran No: 64316 Lot 2281N PN 81190 Lot 2270N PN151250 Lot 2271N PN151251 Lot 2272N PN 154658 Lot 2269N Land status: freehold (1778 square feet) Land status: leasehold (5422 square feet) All expiring on 21/9/2894 except for PN154658 Lot 2269N expiring on 21/9/2884) Date of acquisition: 21 February 2000	Office building	11 years	7,890
4 Jalan Radin Anum, Zone J4, Bandar Baru Seri Petaling	PM 3355 Lot No. 21479 Mukim Petaling Tempat Batu 7, Jalan Sg Besi, Negeri Wilayah Persekutuan Land status: leasehold (expiring on 5 April 2078) Land area: 557 square meters Date of acquisition: 15 March 2004	Office building	2 years	3,892



LOCATION	DESCRIPTION	EXISTING USE	AGE OF BUILDING	NET BOOK VALUE RM'000
5 No.39 & 39 A, Jalan Saujana 2/2, Taman Saujana Seksyen 2, Bukit Katil, 75450 Melaka	Double storey shop/office unit Held under Lot No.5645 Geran 18872 (formerly known as H.S.(D) 29176, P.T. No.4379) in Mukim Bukit Katil, Daerah Melaka Tengah, Melaka. Land area: 143 square meters Land status: freehold Date of acquisition: 9 March 2001	Storage facilities	8 years	233
6 No.579-580, Taman Melaka Raya, 75000 Melaka	3 storey shophold held under Lot No.365 Pajakan Negeri 2082 and Lot No.366, Pajakan Negeri 2083 both in the Town Area XXXIX, District of Melaka Tengah, Melaka. Land area: 466 square meters Land status: leasehold (99 years expiring on 4 October 2082) Date of acquisition: 9 March 2001	Office building	19 years	683
7 Lot No: 377 & 378 Town Section 20, Town of Georgetown, Daerah Timur Laut, Pulau Pinang	5 storey office building held under title no. Geran 36826 and 36827, Section 20, Bandar Georgetown, Daerah Timur Laut, Pulau Pinang. Land status: freehold Land area for lot 377: 1,358 square feet Land area for lot 378: 2,277 square feet Date of acquisition: 29 January 2001	Office	Approx. 26 years	2,613
8 Jalan Ampang Kuala Lumpur	Lot 26, Seksyen 43, Bandar Kuala Lumpur, Negeri Wilayah Persekutuan. Land Status: freehold land Land area: 1a.2r.18.3p Title no: Geran 5692 Date of acquisition: 30 October 1996	Commercial use	-	42,786
9 Raub, Pahang	Lot 569, Mukim of Tras, District of Raub. Land status: freehold agriculture land Land area: 85a.3r10p Title no: C.T.4823 Date of acquisition: 23 June 1995	Agriculture land	-	1,288
10 Raub, Pahang	Lot 431, Mukim of Tras, District of Raub. Land status: freehold agriculture land Land area: 4a.1r.30p Title no: EMR 1050 Date of acquisition: 23 June 1995	Agriculture land	-	332



LOCATION	DESCRIPTION	EXISTING USE	AGE OF BUILDING	NET BOOK VALUE RM'000
11 Sungai Petani Kedah Darul Aman	Lot 18479 and 14215 Mukim Sungai Petani, Daerah Kuala Muda, Kedah Darul Aman. Land status: freehold development land Land area: 2,500 acres Date of acquisition: 29 January 1996	Commercial and housing development	-	120,726
12 Lot 47450 Jalan Kuala Ketil, 08000 Sungai Petani Kedah Darul Aman	Single storey building situated on H.S.(D) 12898/96, PT No.47450, Mukim Sungai Petani Daerah Kuala Muda, Kedah Darul Aman Land status: freehold Land area : 80,912 square meters Date of acquisition: 29 January 1996	Sales office	6 years	465
13 A-34, Lot 89 Jalan Pekeliling/ Padang Golf/ Bungalow, 39000 Tanah Rata Cameron Highlands	Riverview Bungalow situated on Lot 89, Mukim of Tanah Rata in the District of Cameron Highlands, Pahang. Land area: 2a.2r.27p Land status: leasehold land (expiring on 1/11/2038) Title no: 2854 Date of acquisition: 7 September 1998	Staff accommodation and recreation	47 years	2,210
14 Gemas, Daerah Tampin	H.S.(D) 10811 Lot PT No.4952, Bandar Gemas , Daerah Tampin, Negeri Sembilan Land status: leasehold (expiring on 23/12/2096) Land area: 28,428.999 sq. meters Date of acquisition: 28 March 2003	Vacant	-	2,073
15 Mukim Kajang, Batu 17, Sungai Chua, District of Hulu Langat, Selangor	Lot 1806, Mukim Kajang, Batu 17, Sungai Chua, District of Hulu Langat, Selangor Land status: freehold Land area: 22,004.7469 square meters Date of acquisition: 28 June 2004	Vacant	-	5,987



LOCATION	DESCRIPTION	EXISTING USE	AGE OF BUILDING	NET BOOK VALUE RM'000
16 Lot G59 & G61 Mukim Batu, District of Kuala Lumpur	No: 62 & 64 held under master title No. PN 30371 Lot No 57745, Mukim Batu, District of Kuala Lumpur Land status: freehold Land area: 11,883.76 square feet Date of acquisition: 24 May 2004	Office	2 year	3,653
17 Bandar Utama, Segamat Johor	H.S.(D) 26998 Lot No: PTD 8462, Mukim Sungai Segamat, District of Segamat, State of Johor Land status: freehold Land area: 153.2992 square meters Date of acquisition: 14 July 2004	Office	-	670

STATEMENT OF DIRECTORS' INTERESTS

AS AT 15 FEBRUARY 2006

OSK HOLDINGS BERHAD ("OSKH")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	185,406,812	30.38	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,561,785	2.22	-	-
3. Wong Chong Che	8,966,513	1.47	-	-
4. Dato' Nik Mohamed bin Nik Yahya	5,359,729	0.88	-	-
5. Wong Chong Kim	425,327	0.07	358,395*	0.06

Note:

* Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd

Name of Director	Number of Warrant B 2000/2010			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	35,857,915	35.35	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	2,896,810	2.86	-	-
3. Dato' Nik Mohamed bin Nik Yahya	375,782	0.37	-	-

Name of Director	Number of Options over Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	1,050,000	N/A	-	-
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	1,050,000	N/A	-	-
3. Wong Chong Kim	1,050,000	N/A	-	-
4. Wong Chong Che	300,700	N/A	-	-
5. Dato' Nik Mohamed bin Nik Yahya	378,000	N/A	-	-

SUBSIDIARY COMPANIES

(i) OSK PROPERTY HOLDINGS BERHAD ("OSKPH")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	5,343,059	5.72	60,033,200*	64.30
2. Wong Chong Kim	875,757	0.94	179,000**	0.19
3. Dato' Nik Mohamed bin Nik Yahya	400,647	0.43	-	-
4. Wong Chong Che	140,878	0.15	-	-

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd



Name of Director	Number of Warrant 2004/2009			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	7,265,443	14.53	31,926,068*	63.85
2. Wong Chong Kim	438,000	0.88	5,600**	0.01
3. Dato' Nik Mohamed bin Nik Yahya	23	#	-	-
4. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	20	#	-	-

Note:

Negligible

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd



(ii) OSK VENTURES INTERNATIONAL BERHAD ("OSKVI")

Name of Director	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	300,000	0.20	88,792,770*	59.20
2. Dato' Nik Mohamed Din bin Datuk Nik Yusoff	200,000	0.13	-	-
3. Dato' Nik Mohamed bin Nik Yahya	300,000	0.20	-	-
4. Wong Chong Kim	300,000	0.20	170,000**	0.11
5. Dr Choong Tuck Yew	37,500	0.02	-	-

Note:

* Deemed interested by virtue of his substantial interest in OSKH

** Deemed interested by virtue of his substantial interest in Harmony Chime Sdn Bhd



Mr Ong Leong Huat @ Wong Joo Hwa, by virtue of his interest in the Company, is also deemed to have an interest in the shares of all the Company's subsidiary companies to the extent the Company has an interest. The particulars of his deemed interest in the subsidiary companies, except wholly-owned subsidiary companies, OSKPH (disclosed above) and OSKVI (disclosed above), are as follows:-

SUBSIDIARY COMPANIES

Name of Company	Number of Ordinary Shares of RM1.00 each	
	Indirect Interest	%
1. Finexasia.com Sdn Bhd	10,000,000	88.02
2. OSK-UOB Unit Trust Management Berhad	7,000,000	70.00
3. K.E. Malaysian Capital Partners Sdn Bhd	300,000	60.00
4. Ascendas-OSK REIT Management Sdn Bhd	5,100	51.00

Name of Company	5% Cumulative Convertible Preference Shares	
	Indirect Interest	%
1. K.E. Malaysian Capital Partners Sdn Bhd	700,000	100

Name of Company	Number of Ordinary Shares of HK\$1.00 each	
	Indirect Interest	%
1. OSK Asia Holdings Limited	46,000,000	74.19

Other than the above, none of the directors in office has any interest in the shares, warrants, debentures and options of the Company and its related corporations as at 15 February 2006.

STATEMENT OF SHAREHOLDINGS

AS AT 15 FEBRUARY 2006

Authorised Capital	:	RM1,500,000,000
Issued and fully paid-up capital	:	RM610,368,867 (excluding treasury shares 14,949,512)
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

BREAKDOWN OF SHAREHOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of RM1.00 share	Percentage of Issued Capital
1 - 99	884	3.60	31,897	0.01
100 - 1,000	1,416	5.77	689,634	0.11
1,001 - 10,000	18,409	74.96	54,823,080	8.98
10,001 - 100,000	3,535	14.40	82,114,441	13.45
100,001 - 30,518,442*	311	1.27	296,691,362	48.61
30,518,443 and above **	2	0.01	176,018,453	28.84
	24,557	100.00	610,368,867	100.00

Remark :

* Less than 5 % of the issued holdings

** 5% and above of the issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company :

Name of Substantial Shareholder	Number of Ordinary Shares of RM1.00 each			
	Direct Interest	%	Indirect Interest	%
1. Ong Leong Huat @ Wong Joo Hwa	185,406,812	30.38	-	-

THIRTY LARGEST REGISTERED HOLDERS

Name and Address	No. of Shares	%
1. Ong Leong Huat @ Wong Joo Hwa	139,089,565	22.79
2. Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Leong Huat @ Wong Joo Hwa (KUL)	36,928,888	6.05
3. Employees Provident Fund Board	22,250,787	3.65
4. HSBC Nominees (Asing) Sdn Bhd MSCO NY for Liberty Square Offshore Partners Ltd (SEA)	16,644,591	2.73
5. CIMSEC Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd (69001)	14,260,000	2.34
6. Citigroup Nominees (Asing) Sdn Bhd Goldman Sachs International	14,226,803	2.33
7. Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Dato' Nik Mohamed Din Bin Datuk Haji Nik Yusoff	10,709,655	1.75

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name and Address	No. of Shares	%
8. OSK Nominees (Tempatan) Sdn Berhad UOB Kay Hian Private Limited for Ong Leong Huat @ Wong Joo Hwa	9,388,359	1.54
9. RC Nominees (Tempatan) Sdn Bhd Chin Cheng Mei (SBB KLMPs)	9,034,977	1.48
10. OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Wong Chong Che	8,934,958	1.46
11. HSBC Nominees (Asing) Sdn Bhd MSCO NY for Liberty Square Partners LP (SEA)	8,355,409	1.37
12. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged securities account for Pengerang Jaya Pte Ltd	7,603,627	1.25
13. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for PJ Equity Sdn Bhd (PMB)	5,733,643	0.94
14. Dato' Nik Mohamed bin Nik Yahya	5,359,729	0.88
15. Mayban Securities Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd	4,616,355	0.76
16. HSBC Nominees (Asing) Sdn Bhd MSCO NY for Liberty Square Strategic Partners IV (Asia)	4,500,000	0.74
17. EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for May Ang Poh Chan (PJN)	4,344,444	0.71
18. Cartaban Nominees (Asing) Sdn Bhd Credit Suisse First Boston (Hong Kong) Limited	4,115,300	0.67
19. Khor Chai Moi	3,963,001	0.65
20. OSPL Holdings Sdn Bhd	3,961,622	0.65
21. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Pengerang Jaya Pte Ltd (JRC)	3,748,672	0.61
22. Permodalan Nasional Berhad	3,705,555	0.61
23. AMSEC Nominees (Tempatan) Sdn Bhd Kim Eng Securities Pte Ltd	3,526,666	0.58
24. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged securities account for PJ Equity Sdn Bhd	3,323,501	0.54
25. HSBC Nominees (Asing) Sdn Bhd BNP Paribas Securities Services Paris for Henderson Emerging Markets Fund	3,314,200	0.54
26. Citigroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Khor Chai Moi (472724)	3,290,837	0.54
27. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	3,203,018	0.52
28. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for PJ Equity Sdn Bhd (JRC)	3,107,755	0.51
29. Public Nominees (Tempatan) Sdn Bhd Pledged securities account for Pengerang Jaya Pte Ltd (PMB)	2,956,777	0.48
30. Nik Mohamed Din bin Nik Yusoff	2,900,030	0.48

STATEMENT OF WARRANT B HOLDINGS

AS AT 15 FEBRUARY 2006

No. of Warrant B issued : 101,423,826

BREAKDOWN OF SHAREHOLDINGS

Range of Holdings	No. of Holders	Percentage of Holders	No. of Warrant B	Percentage of Issued Warrant B
1 - 99	449	5.15	15,383	0.02
100 - 1,000	3,868	44.35	2,778,542	2.74
1,001 - 10,000	3,542	40.61	14,730,228	14.52
10,001 - 100,000	781	8.96	24,167,296	23.83
100,001 - 5,071,190 (*)	80	0.92	23,874,462	23.54
5,071,191 and above (**)	1	0.01	35,857,915	35.35
	8,721	100.00	101,423,826	100.00

Remark :

* Less than 5 % of the issued Warrant B

** 5% and above of the issued Warrant B

THIRTY LARGEST REGISTERED HOLDERS

Name and Address	No. of Warrant B	%
1. Ong Leong Huat @ Wong Joo Hwa	35,857,915	35.35
2. Nik Mohamed Din bin Nik Yusoff	2,896,810	2.86
3. Citigroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Khor Chai Moi (472724)	1,392,000	1.37
4. Tan Lee Gek	1,015,100	1.00
5. OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Teoh Siew Chuan	913,600	0.90
6. Southern Nominees (Tempatan) Sdn Bhd Pledged securities account for Teoh Eng Chooi @ Thew Ying Swee	689,166	0.68
7. Rajendran a/l Karuppiah	663,000	0.65
8. Goh Chye Keat	650,000	0.64
9. A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged securities account for Daniel Lim Hwa Yew	620,000	0.61
10. Chung Shan Hui	562,000	0.55
11. Khor Chei Yong	535,000	0.53
12. Chen Sui Nyun	525,100	0.52
13. Gan Chee Wah	450,000	0.44
14. Lim Hun Swee	450,000	0.44
15. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Loo Poh Keng (Margin-MM1282)	445,000	0.44
16. RC Nominees (Tempatan) Sdn Bhd Pledged securities account for Kiron Chhotala Doshi (C03RLF2LFK335M)	430,000	0.42
17. Dato' Nik Mohamed bin Nik Yahya	375,782	0.37

THIRTY LARGEST REGISTERED HOLDERS (CONT'D)

Name and Address	No. of Warrant B	%
18. Wong Chin Lai	322,100	0.32
19. Tan Yik Bor	300,000	0.30
20. Lai Han Luong	300,000	0.30
21. Ng Kiang Mui @ Ng Kiam Mui	290,000	0.29
22. Teoh Hunt Thuim	280,000	0.28
23. CK Goh Holdings Sdn Bhd	250,000	0.25
24. OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Lee Thiam Loy	250,000	0.25
25. Nora Ee Siong Chee	250,000	0.25
26. Ong Ju Xing	250,000	0.25
27. Jen Shek Chuen	244,000	0.24
28. Tang Kee Wong	242,100	0.24
29. Pek Kiam Kek	220,000	0.22
30. Teoh Kim Hooi	212,000	0.21

ANNEXURE A NOTICE OF NOMINATION TO CHANGE AUDITORS

ONG LEONG HUAT @ WONG JOO HWA
21, Persiaran Basong
Damansara Heights
50490 Kuala Lumpur

27 February 2006

The Board of Directors
OSK Holdings Berhad
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

Dear Sirs

NOTICE OF NOMINATION TO CHANGE AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, I, Ong Leong Huat @ Wong Joo Hwa, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs Peter I. M. Chieng & Co propose that the following resolution to be tabled at the Sixteenth Annual General Meeting of the Company.

"THAT Messrs Ernst & Young be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Peter I. M. Chieng & Co to hold office until the conclusion of the next Annual General Meeting and that authority be and is hereby given to the Directors to determine their remuneration."

Yours faithfully,



.....
ONG LEONG HUAT @
WONG JOO HWA

OSK HOLDINGS BERHAD

COMPANY NO. 207075-U
(INCORPORATED IN MALAYSIA)

FORM OF PROXY

I/We NRIC No./Passport No./Company No.
of
being a member/members of OSK Holdings Berhad hereby appoint
NRIC No./Passport No. of
or failing him/her NRIC No./Passport No.
of

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 6 April 2006 at 3:30 p.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below :

Resolutions		For	Against
Resolution 1	To receive and adopt the Directors' Report and the audited financial statements		
Resolution 2	To declare a final dividend of 5 sen per share less income tax of 28%		
Resolution 3	To approve the payment of Directors' fees of RM215,000		
Resolution 4	To re-elect Dato' Nik Mohamed bin Nik Yahya as Director pursuant to Article 102(1) of the Company's Articles of Association		
Resolution 5	To re-elect Mr Wong Chong Che as Director pursuant to Article 102(1) of the Company's Articles of Association		
Resolution 6	To re-elect Mr Wong Chong Kim as Director pursuant to Article 102(1) of the Company's Articles of Association		
Resolution 7	To re-appoint Dato' Mohamed Tarmizi bin Mohd Tahir as Director pursuant to Section 129(6) of the Companies Act, 1965		
Resolution 8	To appoint Messrs Ernst & Young as the Company's Auditors for the ensuing year		
Special Business			
Resolution 9	To authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
Resolution 10	Proposed renewal of existing shareholders' mandate for recurrent related party transactions of a revenue or trading nature and new mandate for additional recurrent related party transactions of a revenue or trading nature		
Resolution 11	Proposed renewal of authorisation to enable OSK Holdings Berhad to purchase up to 10% of the issued and paid-up share capital of the Company pursuant to Section 67A of the Companies Act, 1965		

Please indicate with an "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit or, at his discretion, abstain from voting.

Dated this day of 2006

**Number of ordinary
shares held**

*Signature/Common Seal of Shareholder

* Delete if not applicable

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
4. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.