



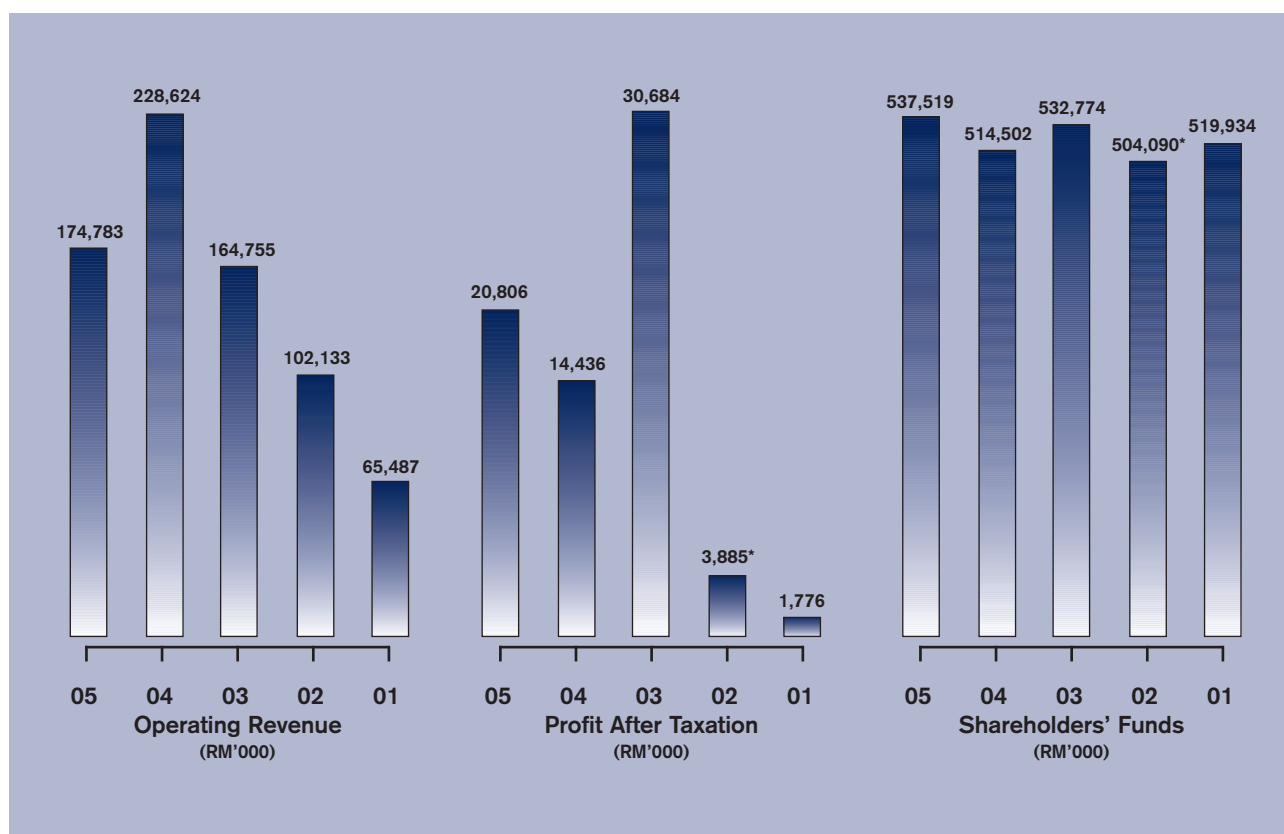
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FIVE-YEAR FINANCIAL SUMMARY

IN RM'000	2005	2004	2003	2002	2001
Operating Revenue	174,783	228,624	164,755	102,133	65,487
Profit Before Taxation	22,399	33,245	45,560	8,407	3,875
Profit After Taxation	20,806	14,436	30,684	3,885*	1,776
Gross Dividend	37,449	43,908	2,000	25,000	-
Paid-up Capital	530,000	500,000	500,000	500,000	500,000
Shareholders' Funds	537,519	514,502	532,774	504,090*	519,934
Basic Earnings Per Share (sen)	4.16	2.89	6.14	0.78*	0.36
Gross Dividend Per Share (sen)	7.49	8.78	0.40	5.00	-
Net Tangible Assets Per Share (RM)	0.93	0.93	0.96	0.90	0.93

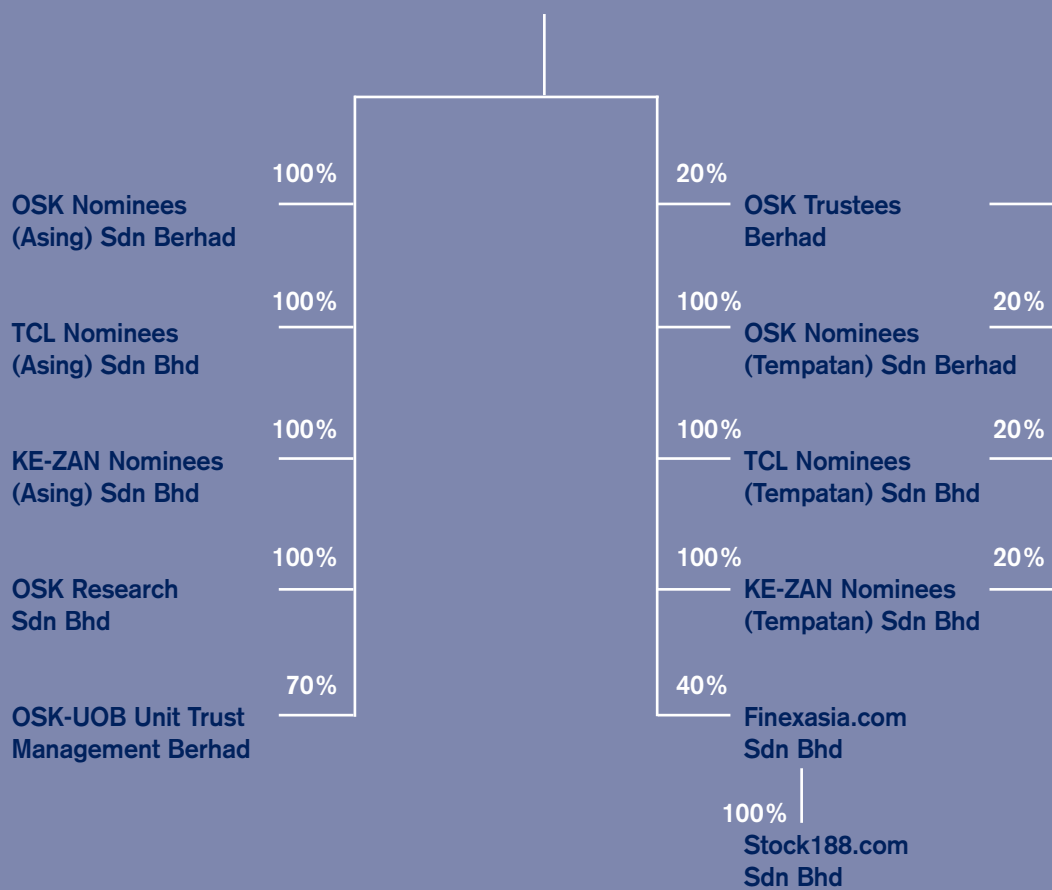
* Restated



CORPORATE STRUCTURE



OSK SECURITIES BERHAD
(14152-V)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Nik Mohamed bin Nik Yahya
Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Chin Cheng Mei
Nik Halim @ Nik Ghazi bin Haji Nik Daud
Mohd. Idris bin Ahmad Jais
Diong King Kuang
Tai Lee Chuan
Dato' Mohamed Tarmizi bin Mohd Tahir
Loy Tuan Bee

- Executive Chairman
- Managing Director/Chief Executive Officer
- Executive Director - Dealing
- Executive Director - Dealing
- Executive Director - Dealing
- Executive Director - Dealing
- Executive Director - Operations
- Executive Director - Compliance
- Independent Non-Executive Director
- Independent Non-Executive Director

EXECUTIVE COMMITTEE

Dato' Nik Mohamed bin Nik Yahya - Chairman
Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Diong King Kuang

RISK MANAGEMENT COMMITTEE

Diong King Kuang - Chairman
Tai Lee Chuan
Lai Yit Loong

NOMINATION COMMITTEE

Dato' Mohamed Tarmizi bin Mohd Tahir - Chairman
Loy Tuan Bee

COMPANY SECRETARIES

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

REMUNERATION COMMITTEE

Dato' Mohamed Tarmizi bin Mohd Tahir - Chairman
Loy Tuan Bee
Ong Leong Huat @ Wong Joo Hwa

AUDITORS

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

INVESTMENT COMMITTEE

Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Ong Ju Yan

PRINCIPAL BANKERS

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

INVESTMENT COMMITTEE FOR DEBT SECURITIES ACTIVITIES

Ong Leong Huat @ Wong Joo Hwa
Wong Chong Kim
Ong Ju Yan
Diong King Kuang
Nik Halim @ Nik Ghazi bin Haji Nik Daud
Eddie Fong Loong Seng

SOLICITORS

Cheang & Ariff
Chellam Wong
Rajes Hisham Pillai & Gopal
Sivananthan

ASSET LIABILITY MANAGEMENT COMMITTEE

Ong Ju Yan
Yeo Chin Tiong
Soon Yeong Chyan
Lee Soo Kai
Ricky Dang Cheong Min
Eddie Fong Loong Seng

REGISTERED OFFICE

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

INDEPENDENT COMMITTEE

Diong King Kuang
Tai Lee Chuan

PRINCIPAL BUSINESS ADDRESS

PRINCIPAL OFFICE

Tingkat 9, 12 (sebahagian) & 21
Plaza OSK, Jalan Ampang
50450 Kuala Lumpur
Tel : 03 - 2333 8333
03 - 2175 3388
Fax : 03 - 2175 3333

BRANCH OFFICES

ELECTRONIC ACCESS FACILITIES -
PERMITTED ACTIVITIES ("EAFPA")
BUSINESS ADDRESS

IPOH BRANCH OFFICE

21-25, Jalan Seenivasagam
Greentown, 30450 Ipoh
Perak Darul Ridzuan
Tel : 05 - 2415 100
Fax : 05 - 2553 903

(i) Teluk Intan EAFPA

Tingkat Bawah & Tingkat Satu
No. 17, Jalan Intan 2
Bandar Baru, 36000 Teluk Intan
Tel : 05 - 6236 498
Fax : 05 - 6236 497

(ii) Sitiawan EAFPA

Tingkat Satu, No. 23 & 25
Jalan Lumut, 32000 Sitiawan, Perak
Tel : 05 - 6921 228
Fax : 05 - 6929 223

(iii) Cameron Highlands EAFPA

Tingkat Bawah, No. 76-A
Persiaran Camelia 4, Tanah Rata
39000 Cameron Highlands, Pahang
Tel : 05 - 4914 913
Fax : 05 - 4914 931

(iv) Taiping EAFPA

Tingkat Bawah, No. 40, 42 & 44
Jalan Berek, 34000 Taiping, Perak
Tel : 05 - 8088 229
Fax : 05 - 8085 229

(v) Kampar EAFPA

72, Tingkat Bawah, Jalan Idris
31900 Kampar, Perak
Tel : 05 - 4651 261
05 - 4671 802
05 - 4671 803
Fax : 05 - 4671 800

(vi) Sungai Siput EAFPA

Tingkat Bawah & Tingkat Satu
No. 181, Jalan Besar
31100 Sungai Siput, Perak
Tel : 05 - 5951 001
05 - 5951 002
05 - 5951 003
Fax : 05 - 5951 004

MELAKA BRANCH OFFICE

579, 580 & 581, Taman Melaka Raya
75000 Melaka
Tel : 06 - 2825 211
Fax : 06 - 2844 871

(i) Segamat EAFPA

Tingkat Bawah, Tingkat Satu &
Tingkat Dua
No. 3, Jalan Susur Utama 2/1
Taman Utama, 85000 Segamat, Johor
Tel : 07 - 9321 543
Fax : 07 - 9321 612

(ii) Seremban EAFPA

Tingkat Bawah, Tingkat Satu &
Tingkat Dua
No. 32 & 33,
Jalan Dato' Bandar Tunggal
70000 Seremban, Negeri Sembilan
Tel : 06 - 7641 641
Fax : 06 - 7641 711

(iii) Muar EAFPA

No. 33-1, Tingkat 1 & Tingkat 2
(Unit Penjuru)
Jalan Ali, 84000 Muar, Johor
Tel : 06 - 9538 262
Fax : 06 - 9538 263

(iv) Bahau EAFPA

Tingkat Satu & Tingkat Dua
No. 168, Jalan Mewah
(Pusat Perniagaan UMNO Bahagian Jempol)
72100 Bahau, Negeri Sembilan
Tel : 06 - 4553 011
06 - 4553 012
06 - 4553 013
06 - 4553 014
Fax : 06 - 4553 010

(v) Tangkak EAFPA

Tingkat Bawah, Tingkat Satu &
Tingkat Dua, No. 343, Jalan Muar
84900 Tangkak, Johor
Tel : 06 - 9787 180
06 - 9787 181
06 - 9787 182
06 - 9787 184
Fax : 06 - 9788 280

(vi) Tampin EAFPA

Tingkat Satu, No. 3601, Jalan Besar
73000 Tampin, Negeri Sembilan
Tel : 06 - 4421 000
06 - 4421 002
06 - 4421 003
06 - 4421 004
Fax : 06 - 4421 001

(vii) Labis EAFPA

Tingkat Satu
No. 2, Jalan Makmur, Taman Sri Aman
85300 Labis, Johor
Tel : 07 - 9256 881
07 - 9256 884
07 - 9256 887
07 - 9256 890
Fax : 07 - 9256 882

(viii) Port Dickson EAFPA

Tingkat Bawah & Tingkat Mezanin
No. 346 & 347, Batu 1/2 Jalan Pantai
71000 Port Dickson, Negeri Sembilan
Tel : 06 - 6461 234
Fax : 06 - 6464 064

PENANG BRANCH OFFICE

64 Bishop Street DAN 20F & 20G,
Penang Street, 10200 Pulau Pinang
Tel : 04 - 2634 222
Fax : 04 - 2622 299

(i) Alor Setar EAFPA

214-A, 215-A & 215-B, Medan Putra
Jalan Putra, 05150 Alor Setar, Kedah
Tel : 04 - 7209 888
Fax : 04 - 7209 878

(ii) Bayan Baru EAFPA

Tingkat Bawah & Tingkat Satu
No.15-G-5, 15-G-6, 15-1-5 & 15-1-6
Medan Kampung Relau (Bayan Point)
11950 Pulau Pinang
Tel : 04 - 6404 888
Fax : 04 - 6404 878

(iii) Butterworth EAFPA

(converted from Branch Office
to EAFPA and designated to Penang
Branch Office with effect from
1 September 2005)
Aras Bawah, 1 dan 2
2677, Jalan Chain Ferry
Taman Inderawasih, 13600 Prai
Pulau Pinang
Tel : 04 - 3900 022
Fax : 04 - 3900 023

(vi) Bagan Serai EAFPA

(previously designated to Butterworth
Branch Office)
Tingkat Bawah, 28, Jalan Maharaja
Taman Bagan Serai Baru
34300 Bagan Serai, Perak
Tel : 05 - 7231 888
Fax : 05 - 7231 878

(v) Kulim EAFPA

(previously designated to Butterworth
Branch Office)
Tingkat Bawah dan Tingkat 1
35, Jalan Suria 1, Jalan Bayu
09000 Kulim, Kedah
Tel : 04 - 4964 888
Fax : 04 - 4964 878

(vi) Bukit Mertajam EAFPA

(previously designated to Butterworth
Branch Office)
Tingkat Bawah dan Tingkat Atas
No. 11A, Jalan Keranji
Off Jalan Padang Lallang
14000 Bukit Mertajam, Pulau Pinang
Tel : 04 - 5402 888
Fax : 04 - 5402 878

(vii) Sungai Petani EAFPA

(previously designated to Butterworth
Branch Office)
Tingkat Bawah Swiss Inn Hotel
1, Jalan Pahlawan
08000 Sungai Petani, Kedah
Tel : 04 - 4204 888
Fax : 04 - 4204 878

(viii) Sungai Bakap EAFPA

(previously designated to Butterworth
Branch Office)
834, Jalan Besar, Sungai Bakap
14200 Sungai Jawi, SPS, Pulau Pinang
Tel : 04 - 5831 888
Fax : 04 - 5831 878

(ix) Parit Buntar EAFPA

(previously designated to Butterworth
Branch Office)
Tingkat Bawah, No. 2, Jalan Wawasan 4
Taman Wawasan, 34200 Parit Buntar
Perak
Tel : 05 - 7170 888
Fax : 05 - 7170 878

JOHOR BAHRU BRANCH OFFICE

Tingkat 6, Wisma Tiong-Hua
8, Jalan Keris, Taman Sri Tebrau
80050 Johor Bahru, Johor
Tel : 07 - 2788 821
Fax : 07 - 2788 011

(i) Tun Aminah EAFPA

Tingkat Bawah & Tingkat Satu
10, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 07 - 5577 628
Fax : 07 - 5577 639

(ii) Pontian EAFPA

Tingkat Bawah, 17, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian, Johor
Tel : 07 - 6868 018
Fax : 07 - 6868 026

(iii) Kulai EAFPA

Tingkat Bawah, Tingkat Satu &
Tingkat Dua
No. 10, Jalan Anggerik 1
Taman Kulai Utama, 81000 Kulai, Johor
Tel : 07 - 6626 288
Fax : 07 - 6626 289

(iv) Kota Tinggi EAFPA

Tingkat Bawah, No. 7, Jalan Jaya
81900 Kota Tinggi, Johor
Tel : 07 - 8822 018
Fax : 07 - 8822 108

(v) Taman Johor Jaya EAFPA

Tingkat Bawah & Tingkat Satu
No. 1 & 1-01, Jalan Rosmerah 2/11
Taman Johor Jaya, 81100 Johor Bahru
Johor
Tel : 07 - 3522 293
Fax : 07 - 3522 281

(vi) Batu Pahat EAFPA

(converted from Branch Office to EAFPA
and designated to Johor Bahru Branch
Office with effect from
1 October 2005)
53, 53-A dan 53-B, Jalan Sultanah
83000 Batu Pahat, Johor
Tel : 07 - 4380 288
Fax : 07 - 4380 277

(vii) Kluang EAFPA

(previously designated to Batu Pahat
Branch Office)
Tingkat Bawah, Tingkat Satu &
Tingkat Dua, No. 17, Jalan Manggis
86000 Kluang, Johor
Tel : 07 - 7769 655
Fax : 07 - 7769 536

(viii) Yong Peng EAFPA

(previously designated to Batu Pahat
Branch Office)
No. 240 & 240A, Jalan Besar
83700 Yong Peng, Johor
Tel : 07 - 4675 388
07 - 4673 588
Fax : 07 - 4674 388

KUANTAN BRANCH OFFICE

A-27 & A-29, Lorong Tun Ismail 9
Sri Dagangan Kuantan Business Centre,
25000 Kuantan, Pahang
Tel : 09 - 5163 811
Fax : 09 - 5163 911

(i) Kemaman EAFPA

Tingkat Bawah dan Tingkat 1
9651, Cukai Utama, Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : 09 - 8583 109
Fax : 09 - 8582 314

(ii) Kota Bharu EAFPA

Tingkat Bawah dan Tingkat Satu
No. 3953-H, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : 09 - 7430 077
09 - 7482 277
Fax : 09 - 7476 669

(iii) Kuala Terengganu EAFPA

31A, Tingkat Bawah
31A & 31B Tingkat Satu
Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu
Tel : 09 - 6261 816
Fax : 09 - 6266 241

KUCHING BRANCH OFFICE

Ground, 1st and 6th Floor
Wisma Chinese Chambers
Lot 357, Section 47, K.T.L.D.
Jalan Bukit Mata Kuching
93100 Kuching, Sarawak
Tel : 082 - 422 252
Fax : 082 - 240 955

(i) Serian EAFPA

No. 299, Ground Floor
Lot 373, Jalan Serian-By-Pass
Serian Town District, Serian
94700 Sarawak
Tel : 082 - 872 118
Fax : 082 - 873 118

(ii) Miri EAFPA

(converted from Branch Office to EAFPA
and designated to Kuching Branch
Office with effect from
1 October 2005)
Lot 1168, Tingkat Bawah
Wisma Interhill
Miri Waterfront Commercial Centre
98008 Miri, Sarawak
Tel : 085 - 422 788
Fax : 085 - 410 822

(iii) Bintulu EAFPA

(previously designated to Miri Branch
Office)
Tingkat Bawah
No. 177, Taman Sri Dagang
97000 Bintulu, Sarawak
Tel : 086 - 311 770
Fax : 086 - 312 770

(iv) Limbang EAFPA

(previously designated to Miri Branch
Office)
Aras Bawah & Satu
Lot 1085, Jalan Buangsiol
98700 Limbang, Sarawak
(with effect from 1 January 2006,
the operation of the EAFPA was
consolidated with Miri EAFPA)

(v) Sibiu EAFPA

(converted from Branch Office to EAFPA
and designated to Kuching Branch
Office with effect from
1 October 2005)
101 & 102, Pusat Pedada
Jalan Pedada, 96000 Sibiu, Sarawak
Tel : 084 - 329 100
Fax : 084 - 334 100

(vi) Sarikei EAFPA

(previously designated to Sibiu Branch
Office)
Tingkat Bawah, No. 10, Jalan Bersatu
96100 Sarikei, Sarawak
Tel : 084 - 654 100
Fax : 084 - 651 900

(vii) Bintangor EAFPA

(previously designated to Sibiu Branch
Office)
Tingkat Bawah, No. 11, Lorong Maju
96500 Bintangor, Sarawak
Tel : 084 - 693 100
Fax : 084 - 694 900

KOTA KINABALU BRANCH OFFICE

Tingkat 5, Wisma BSN Sabah
Jalan Kemajuan, Karamuning
88000 Kota Kinabalu, Sabah
Tel : 088 - 269 788
Fax : 088 - 260 910

(i) Sandakan EAFPA

Tingkat Bawah, Block 2, Lot 4 & Lot 5,
Bandar Indah, Batu 4, North Road
91000 Sandakan, Sabah
Tel : 089 - 229 286
089 - 229 326
089 - 222 275
089 - 212 684
Fax : 089 - 229 719

(ii) Lahad Datu EAF

Tingkat Bawah, Lot 3, MDLD 4711
Jalan Kastam Lama
Lahat Datu, Sabah
(with effect from 1 January 2006, the
operation of the EAF was consolidated
with Kota Kinabalu Branch Office)

(iii) Tawau EAFPA

Tingkat Satu TB-3338
Wisma Jin Ho, Town Extension No. 2
Jalan St. Patrick, 91008 Tawau, Sabah
Tel : 089 - 779 811
089 - 779 812
089 - 779 968
Fax : 089 - 779 813

SS2, PETALING JAYA**BRANCH OFFICE**

24, 24M, 24A, 26M, 28M, 28A, 30,
30M & 30A, Jalan SS2/63
47300 Petaling Jaya, Selangor
Tel : 03 - 7873 6366
Fax : 03 - 7873 6566

(i) Kepong EAFPA

No. 62 & 64, Vista Magna
Jalan Prima, Metro Prima
52100 Kuala Lumpur
Tel : 03 - 6257 5869
Fax : 03 - 6257 5934

(ii) Bentong EAFPA

Tingkat Bawah, 98 Jalan Pasdec
28700 Bentong, Pahang
Tel : 09 - 2234 943
09 - 2234 948
Fax : 09 - 2234 950

(iii) Kajang EAFPA

No. 37, Jalan Semenyih
43000 Kajang, Selangor
Tel : 03 - 8736 3378
Fax : 03 - 8736 7939

(vi) Rawang EAFPA

Tingkat Bawah & Tingkat Satu
No. 15, Jalan Bandar Rawang 4
48000 Rawang, Selangor
Tel : 03 - 6092 8916
Fax : 03 - 6092 4541

(v) Klang EAFPA

Tingkat Bawah & Tingkat Mezanin
No. 87 & 89, Jalan Susur
Pusat Perniagaan NBC
Batu 11/2 Jalan Meru, 41050 Klang
Selangor
Tel : 03 - 3343 9180
Fax : 03 - 3342 6455

(vi) Pandan Indah EAFPA

Tingkat Bawah
No. M3-A-7 dan M3-A-8
Jalan Pandan Indah 4/3A
Pandan Indah, 55100 Kuala Lumpur
Tel : 03 - 4280 4798
Fax : 03 - 4280 5519

(vii) Seri Petaling EAFPA

Ground, First, Second and Third Floor
No 55. Zone J4, Jalan Radin Anum
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 03 - 9058 7222
Fax : 03 - 9058 3386

(viii) Mentakab EAFPA

Tingkat Bawah, No. 43, Jalan Bunga
Tanjung, 28400 Mentakab, Pahang
(with effect from 1 January 2006, the
operation of the EAFPA was
consolidated with Kuantan Branch
Office and Bentong EAFPA)

SUMMARY OF SITE LOCATIONS

BRANCH	EAF/EAFPA	TOTAL
Principal Office	-	1
Ipoh	6	7
Melaka	8	9
Penang	9	10
Johor Bahru	8	9
Kuantan	3	4
Kuching	7	8
Kota Kinabalu	3	4
SS28	9	
9	52	61

MANAGEMENT TEAM



CORPORATE ADVISORY

Joseph Soo Hong Weng
General Manager, Corporate Finance

DERIVATIVES & STRUCTURED PRODUCTS

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

DEBT CAPITAL MARKETS

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

DEALING & OPERATIONS

William Ng Ghim Ann
*Executive Vice President
Business Development*

Nicky Ng Cheng Loong
*Vice President/
Head of Institutional Sales*

Ong Kok Aun
*Vice President
Priority Broking*

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*

Yeo Chin Tiong
Head of Treasury

INVESTMENT RESEARCH

Kenny Yee Shen Pin
Head of Research

UNIT TRUST MANAGEMENT

Ho Seng Yee
*Chief Executive Officer/
General Manager*

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*



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

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

Principal Activities

The Company is principally engaged in stockbroking, corporate advisory, debt securities and related activities.

During the financial year, the company has commenced interbank market activities as stated in Note 30(d) to the financial statements.

The principal activities of the subsidiary and associated companies are described in Notes 5 and 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	RM
Profit for the financial year	<u>20,806,217</u>

Dividends

Since the end of the previous financial year, the Company declared interim dividends in respect of the financial year ended 31 December 2005 as follows:

	RM
(a) 4.0 sen per ordinary share less 28% income tax declared on 12 May 2005 and paid on 16 May 2005	14,400,000
(b) 2.9 sen per ordinary share less 28% income tax declared on 23 August 2005 and paid on 30 August 2005	10,440,000
(c) 0.5898 sen per ordinary share, tax exempt, declared on 23 August 2005 and paid on 30 August 2005	<u>2,949,234</u>
	<u>27,789,234</u>

The directors do not recommend any final dividend in respect of the current financial year.

Reserves And Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Bad And Doubtful Debts

Before the income statement and balance sheet 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 had satisfied themselves that all known bad debts had been written off and adequate allowance has been made for bad and 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 statement and balance sheet 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 Company misleading.



Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities 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 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 Company which has arisen since the end of the financial year.

No contingent liability or other liability 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 Company to meet its 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 Company which would render any amount stated in the financial statements misleading.

Items Of An Unusual Nature

The results of the operations 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 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 Company for the financial year in which this report is made.

Significant Events

Significant events during the financial year are disclosed in Note 30 to the financial statements.

Subsequent Events

Subsequent events are disclosed in Note 31 to the financial statements.

Issue Of Shares And Debentures

On 28 December 2005, the Company increased its:

- (i) authorised ordinary share capital from RM500,000,000 to RM1,000,000,000 through the creation of 500,000,000 ordinary shares of RM1 each; and
- (ii) issued and paid-up ordinary share capital from RM500,000,000 to RM530,000,000 through the issuance of 30,000,000 ordinary shares of RM1 each at par for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

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

Share Option

No option has been granted by the Company to any party during the financial year to take up unissued shares of the Company.

Directors' In Office

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

Dato' Nik Mohamed bin Nik Yahya
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim
 Chin Cheng Mei
 Nik Halim @ Nik Ghazi bin Haji Nik Daud
 Mohd. Idris bin Ahmad Jais
 Diong King Kuang
 Tai Lee Chuan
 Dato' Mohamed Tarmizi bin Mohd. Tahir
 Loy Tuan Bee

Directors' Interests

According to the Register of Directors' Shareholdings, none of the directors in office at the end of the financial year has any interest in the ordinary share capital of the Company, except for Mr. Ong Leong Huat @ Wong Joo Hwa who is deemed to have an interest in the shares of the Company and all the other related companies by virtue of his shareholdings in the holding company, OSK Holdings Berhad, pursuant to Section 6A of the Companies Act, 1965.

Pursuant to Section 134(3) of the Companies Act, 1965, Dato' Nik Mohamed bin Nik Yahya, Mr. Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim, being directors in office at the end of the financial year who are also directors of the holding company, are deemed to have disclosed their interest in the share capital of its related corporations.

Madam Chin Cheng Mei, Encik Nik Halim @ Nik Ghazi bin Haji Nik Daud, Encik Mohd. Idris bin Ahmad Jais, Mr. Diong King Kuang, Mr. Tai Lee Chuan and Mr. Loy Tuan Bee, being directors in office at the end of the financial year who are not directors of the holding company, have direct interest in the share capital, options and debentures of the holding company and related companies as follows:

(a) Holding company

OSK Holdings Berhad ("OSKH")

	Number of ordinary shares of RM1 each				As at 31.12.2005
	As at 1.1.2005	Mandatory conversion of ICULS*	Share dividend (1 for 45)**	Disposed	
Chin Cheng Mei	9,625,797	1,120,007	226,261	(1,017,800)	9,954,265
Nik Halim @ Nik Ghazi bin Haji Nik Daud	900,000	87,719	21,949	-	1,009,668
Loy Tuan Bee	20,000	-	444	-	20,444

* On 1 March 2005, all the outstanding 6% Irredeemable Convertible Unsecured Loan Stock 2000/2005 ("ICULS") were mandatorily converted into ordinary shares at the conversion price of RM2.28 per share.

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

Directors' Interests (Cont'd)

	Number of Warrant B 2000/2010			As at 31.12.2005
	As at 1.1.2005	Acquired	Disposed	
Chin Cheng Mei	235,199	-	(225,000)	10,199

Each Warrant B 2000/2010 entitles the registered holder to subscribe for one (1) new ordinary share in OSKH 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 of RM1 each			As at 31.12.2005
	As at 1.1.2005	Acquired	Converted	
Chin Cheng Mei	2,553,499	117	(2,553,616)	-
Nik Halim @ Nik Ghazi bin Haji Nik Daud	200,000	-	(200,000)	-

Pursuant to the Trust Deed, the outstanding ICULS of RM2 each as at the maturity date of 1 March 2005 were mandatorily 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.

	Number of options over ordinary shares of RM1 each			As at 31.12.2005
	As at 1.1.2005	Granted	Exercised	
Chin Cheng Mei	152,300	96,700	-	249,000
Diong King Kuang	487,500	274,100	-	761,600
Nik Halim @ Nik Ghazi bin Haji Nik Daud	163,500	177,300	-	340,800
Mohd. Idris bin Ahmad Jais	487,500	258,000	-	745,500
Tai Lee Chuan	122,100	135,400	-	257,500

The options over ordinary shares were granted pursuant to the Executive Share Option Scheme of OSKH.

Directors' Interests (Cont'd)**(b) Related company**

OSK Ventures International Berhad

	Number of ordinary shares of RM0.10 each			Number of ordinary shares of RM1 each	
	As at 1.1.2005	Acquired	10 shares consolidated to 1 share*	Disposed	As at 31.12.2005
Chin Cheng Mei	1,000,000	-	(900,000)	-	100,000
Nik Halim @ Nik Ghazi bin Haji Nik Daud	700,000	-	(630,000)	-	70,000
Mohd. Idris bin Ahmad Jais	1,000,000	-	(900,000)	-	100,000
Diong King Kuang	500,000	-	(450,000)	-	50,000
Loy Tuan Bee	225,000	-	(202,500)	(22,500)	-

* Pursuant to the share consolidation exercise of OSKVI that completed on 11 October 2005, ten (10) ordinary shares of RM0.10 each were consolidated into one (1) ordinary share of RM1.00 each.

Dato' Mohamed Tarmizi bin Mohd. Tahir (who is also a director of the holding company) does not have any interest in the share capital, options or debentures of the holding company or related companies during and as at the end of the financial year.

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 the financial statements or the fixed salary of full time employees of the Company and the related corporations) 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.



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

DIONG KING KUANG

Kuala Lumpur, Malaysia
27 February 2006

STATEMENT BY DIRECTORS

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

We, Dato' Nik Mohamed bin Nik Yahya and Diong King Kuang, being two of the directors of OSK SECURITIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 20 to 54 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 Company as at 31 December 2005 and of the results and the cash flows 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

DIONG KING KUANG

Kuala Lumpur
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 SECURITIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 54 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

AUDITORS' REPORT



TO THE SHAREHOLDERS OF OSK SECURITIES BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 20 to 54 of OSK SECURITIES 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 Company as at 31 December 2005 and of the results and the cash flows 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 have been properly kept in accordance with the provisions of the Act.

PETER I.M. CHIENG & CO.
Chartered Accountants
AF 0311 711/06/06 (J/PH)

CHIENG ING MUI
CA(M), FCA, CPA

Petaling Jaya, Selangor Darul Ehsan
27 February 2006

BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Non Current Assets			
Plant and equipment	4	32,882,656	33,950,796
Investments in subsidiary companies	5(a)	8,702,871	8,442,871
Investments in associated company	6	5,027,750	5,027,750
Other long term investments	7	718,200	25,922,503
Intangible asset	8	46,516,468	48,912,166
		<u>93,847,945</u>	<u>122,256,086</u>
Current Assets			
Trade receivables	9	344,571,430	413,057,345
Other receivables, deposits and prepayments	10	12,588,250	21,196,016
Tax recoverable		13,283,282	1,707,722
Amount due from holding company	11	53,082,632	61,856,380
Amount due from subsidiary companies	5(b)	290,317	18,758
Amount due from a related company	12	17,982	737,766
Investment in securities	13	154,369,195	414,118,937
Cash, bank balances and deposits			
- General accounts	14(a)	119,725,047	15,187,999
- Segregated accounts	14(b)	174,618,072	116,436,636
		<u>872,546,207</u>	<u>1,044,317,559</u>
Current Liabilities			
Trade payables	15	238,550,271	152,313,447
Other payables, deposits and accruals	16	108,333,685	114,402,589
Amount due to a related company	12	11,086,044	26,028,825
Short term borrowings (unsecured)	17	67,817,919	348,825,717
Provision for taxation		-	7,936,097
		<u>425,787,919</u>	<u>649,506,675</u>
Net Current Assets		<u>446,758,288</u>	<u>394,810,884</u>
		<u>540,606,233</u>	<u>517,066,970</u>
Financed by:			
Share capital	18	530,000,000	500,000,000
Retained profits		7,519,233	14,502,250
SHAREHOLDERS' FUNDS		<u>537,519,233</u>	<u>514,502,250</u>
Deferred tax liabilities	19	3,087,000	2,564,720
		<u>540,606,233</u>	<u>517,066,970</u>

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

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM	2004 RM
Revenue	20	174,783,227	228,623,795
Direct costs	21	(39,035,479)	(60,260,584)
Gross profit		135,747,748	168,363,211
Other operating income	22	22,135,822	38,852,707
Administrative expenses	23	(115,489,643)	(101,616,504)
Other operating expenses	24	(10,750,583)	(62,877,564)
Profit from operations		31,643,344	42,721,850
Finance costs	25	(9,244,348)	(9,476,486)
Profit before taxation		22,398,996	33,245,364
Tax expense	26	(1,592,779)	(18,809,260)
Profit for the financial year		20,806,217	14,436,104
Earnings per share (sen)	27	4.16	2.89

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Share capital RM	Retained profits RM	Total RM
As at 1 January 2004		500,000,000	32,774,146	532,774,146
Profit for the financial year		-	14,436,104	14,436,104
Dividend paid	28	-	(32,708,000)	(32,708,000)
		<hr/>	<hr/>	<hr/>
As at 31 December 2004		500,000,000	14,502,250	514,502,250
Issuance of ordinary shares	18	30,000,000	-	30,000,000
Profit for the financial year		-	20,806,217	20,806,217
Dividend paid	28	-	(27,789,234)	(27,789,234)
		<hr/>	<hr/>	<hr/>
At 31 December 2005		<u>530,000,000</u>	<u>7,519,233</u>	<u>537,519,233</u>

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,398,996	33,245,364
Adjustments for:		
Allowance for diminution in value of marketable securities	406,234	1,480,055
Allowance for diminution in value of marketable securities written back	(27,681)	(153,956)
Amortisation of MESDAQ admission fees	833	10,000
Amortisation of purchased goodwill	2,395,698	2,395,698
Bad debts written off	87,652	-
Bad debts recovered	(441,351)	(7,157,902)
Depreciation	8,189,061	7,859,767
Dividend income	(3,956,916)	(3,333,614)
Gain on disposal of property, plant and equipment	(286,769)	(1,474,339)
Gain on disposal of shares in Bursa Malaysia Berhad	(11,564,881)	-
General allowance for bad and doubtful debts written back	(28,273)	(63,872)
Capital gain on shares from KLSE demutualisation	-	(24,984,303)
Interest expense	5,215,636	6,780,913
Interest income	(33,336,227)	(37,915,542)
MESDAQ admission fees written off	153,966	-
Plant and equipment written off	840,820	488,961
Specific allowance for bad and doubtful debts	4,706,602	3,186,971
Specific allowance for bad and doubtful debts written back	(1,211,286)	(1,062,257)
Operating loss before working capital changes	(6,457,886)	(20,698,056)
Decrease in trade and other receivables	73,980,339	66,830,060
(Increase)/Decrease in intercompany balances	(5,657,012)	30,189,729
Decrease/(Increase) in investment in securities	259,371,188	(409,985,220)
Increase in segregated accounts	(58,181,436)	(23,310,572)
Increase in trade and other payables	80,167,921	61,566,118
Cash generated from/(used in) operations	343,223,114	(295,407,941)
Interest received	33,336,227	37,915,542
Interest paid	(5,215,636)	(6,780,913)
Income tax paid	(19,519,828)	(14,343,752)
Net cash from/(used in) operating activities	351,823,877	(278,617,064)

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

CASH FLOW STATEMENT

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

	Note	2005 RM	2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		2,894,587	2,401,247
Purchase of investment in transferable club membership		-	(70,000)
Purchase of investment in subsidiary company		(260,000)	(40,000)
Proceeds from disposal of property, plant and equipment		446,819	10,458,145
Proceeds from disposal of shares in Bursa Malaysia Berhad		22,912,821	-
Purchase of property, plant and equipment		(8,185,588)	(9,062,967)
Receipt of capital distribution from Bursa Malaysia Berhad		13,636,363	-
Refund from MESDAQ Berhad		65,201	-
Net cash from investing activities		31,510,203	3,686,425
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid to holding company		(27,789,234)	(32,708,000)
(Repayment)/Drawdown of revolving credit		(346,500,000)	346,500,000
Proceeds from issuance of ordinary shares		30,000,000	-
Net cash (used in)/from financing activities		(344,289,234)	313,792,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,044,846	38,861,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		12,862,282	(25,999,079)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		51,907,128	12,862,282
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR COMPRISED:			
Cash, bank balances and deposits - General accounts	14(a)	119,725,047	15,187,999
Bank overdrafts	17	(67,817,919)	(2,325,717)
		51,907,128	12,862,282

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 principally engaged in stockbroking, corporate advisory, debt securities and related activities. During the financial year, the company has commenced interbank market activities as stated in Note 30(d).

The Company is a public company limited by shares, incorporated under the Companies Act, 1965 and domiciled in Malaysia. The Company is a Participating Organisation of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company was granted Universal Broker status on 12 April 2001. The number of employees of the Company at the end of the financial year was 1,124 (2004: 1,196) inclusive of Paid Dealer's Representatives.

The holding company and ultimate holding company is OSK Holdings Berhad, a public company limited by shares, incorporated under the Companies Act, 1965, domiciled in Malaysia and listed on the Main Board of Bursa Securities. The Company regards related companies as those companies which are subsidiary companies of the same ultimate holding company as disclosed in Note 32(c).

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 Company have been prepared under the historical cost convention and in compliance with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Consolidated financial statements

In accordance with MASB Financial Reporting Standards ("FRS") 127: Consolidated Financial Statements and Investments in Subsidiaries, consolidated financial statements shall not be required where the Company is, at the end of its financial year, a wholly-owned subsidiary company of another body corporate incorporated in Malaysia. Accordingly, consolidated financial statements incorporating the financial statements of the Company's subsidiary companies have not been prepared as the Company is a wholly-owned subsidiary company of OSK Holdings Berhad, which is incorporated in Malaysia with its registered office at 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

(c) Plant and equipment and depreciation

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(h).

Depreciation of 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:

Furniture and fittings	10%
Renovation	10%
Motor vehicles	15%
Office equipment	15%
Plant and machinery	20%

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

2. Significant Accounting Policies (Cont'd)

(d) Investments in subsidiary and associated 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.

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

The Company's investments in subsidiary and associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(h).

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

(e) 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 and unquoted shares in Malaysia.

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.

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 are stated at cost less impairment losses.

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

Unquoted investments 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.

Investments in securities

Investment in 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 quoted 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 in Malaysia 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.

2. Significant Accounting Policies (Cont'd)

(f) Intangible asset

This represents purchased goodwill which is 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 impairment losses. Purchased goodwill is amortised using the straight line method over its estimated useful life of 25 years. The policy for the recognition and measurement of impairment losses is disclosed in Note 2(h).

(g) 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, 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 a 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 defined under the Rules of Bursa Securities.

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

(h) Impairment of assets

The carrying amounts of goodwill, plant and equipment, investments in subsidiary companies, investments in associated companies and investment in jointly controlled entity 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)

(i) 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. 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 year 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.

(j) Revenue and income recognition

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 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, agency fees, Institutional Unit Trust Agent commission, placement fees and underwriting commission are recognised on a cash or accrual basis.
- Carrying charges are recognised on an accrual basis.
- Gross brokerage fees are recognised upon execution of trades.

(ii) Gain on disposal of fixed income instruments

- This is recognised on an accrual basis.

(iii) Interest income

- Interest income from clients 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 as non-performing accounts 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)

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

Other operating income is recognised on the following basis:

- (i) Gain on disposal of plant and equipment is recognised upon completion of the disposal.
- (ii) Dividend income is recognised when the right to receive the dividend is established.
- (iii) Gain on foreign exchange is recognised upon execution of foreign exchange contracts.
- (iv) Gain on disposal of quoted securities are recognised upon execution of trades.
- (v) Rental income is recognised on an accrual basis.
- (vi) Capital gain on shares from KLSE demutualisation is recognised upon allotment of shares from KLSE.

(k) Cash flow statement and cash and cash equivalents

Cash flow statement is 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, short term placements and fixed deposits with licensed financial institutions less bank overdrafts, excluding bank balances, short term placements and fixed deposits under segregated accounts held in trust.

(l) Foreign currencies conversion and translation

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.

(m) 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 Company. 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. Such contributions are recognised as an expense in the income statement as incurred.

(n) Financial instruments

- (i) Financial instruments recognised on the balance sheet
Financial assets and financial liabilities carried on the balance sheet include short term and long term funds and borrowings, current and non current investments, trade and other receivables/payables and amount due from/to holding/subsidiary/related companies. 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 Company 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.

2. Significant Accounting Policies (Cont'd)

(n) Financial instruments (Cont'd)

(ii) Financial instruments not recognised on the balance sheet

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 amount of short term and long term financial assets and liabilities are assumed to approximate their fair values, other than as disclosed in Note 34.

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year 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 Company'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 Company manages and allocates its capital resources centrally with nominal funds placed at the branch network. The Company is required to maintain adequate level of capital and prudent level of liquidity at all times. The Company 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 restrictions for the Company, a Universal Broker, lending to the firewall sectors.

The Company's stockbroking business is supervised by the Securities Commission and Bursa Securities. The Company is required to maintain capital adequacy requirements in accordance with the rules of Bursa Securities, which are principally designed to ensure that the Company is an entity of substance so as to foster confidence in the stock market and to create an environment in which the 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 Company'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 Company 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 Company'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 Company. Trade and financial receivables are monitored on a timely ongoing basis via company-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 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 transaction 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 Company 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.

3. Financial Risk Management Policies (Cont'd)

(b) Liquidity risk

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

The Company seeks to achieve a balance between certainty of funding even in difficult times for the markets and a flexible, cost-effective borrowing structure. The Company'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 Company is able to meet its obligations as and when they fall due and any refinancing needs are met.

(c) Cash flow risk

Cash flow risk is the risk that the future cash flows associated with a monetary financial instruments 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 Company 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 investment, changes in the market values of long term investments do not affect the book value of the investments unless there is an indication of diminution in value.

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

(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 bank's base lending rates or cost of funds are set by the Company to reduce the impact of an upward change in interest rate 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 Company benefits from enjoying the lowest possible finance cost. The Company 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 Company has some investments in financial instruments where the value of 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.

(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 Company is not exposed to any significant foreign exchange risk arising from foreign currency transactions that may affect the overall activities of the Company.

Currency risks relating to operating activities in the ordinary course of business of the Company are minimal and hedged through operational course of business.

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 Company'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. Plant And Equipment

	As at 1.1.2005	Additions	Disposals	Transfer (Note)	Written off	As at 31.12.2005
At cost	RM	RM	RM	RM	RM	RM
Furniture and fittings	10,725,560	1,597,233	-	-	(130,916)	12,191,877
Renovation	18,458,628	1,860,760	-	-	(1,067,559)	19,251,829
Motor vehicles	7,130,295	964,106	(891,184)	(198,590)	(103,457)	6,901,170
Office equipment	46,237,349	3,763,489	(1,050)	-	(45,827)	49,953,961
	<u>82,551,832</u>	<u>8,185,588</u>	<u>(892,234)</u>	<u>(198,590)</u>	<u>(1,347,759)</u>	<u>88,298,837</u>

	As at 1.1.2005	Charge for the year	Disposals	Transfer (Note)	Written off	As at 31.12.2005
	RM	RM	RM	RM	RM	RM
Accumulated depreciation						
Furniture and fittings	5,767,438	938,269	-	-	(38,882)	6,666,825
Renovation	7,269,497	1,813,971	-	-	(376,571)	8,706,897
Motor vehicles	3,970,615	858,904	(731,567)	(134,793)	(64,661)	3,898,498
Office equipment	31,593,486	4,577,917	(617)	-	(26,825)	36,143,961
	<u>48,601,036</u>	<u>8,189,061</u>	<u>(732,184)</u>	<u>(134,793)</u>	<u>(506,939)</u>	<u>55,416,181</u>

	Net book value		Depreciation charge
	2005	2004	2004
	RM	RM	RM
Furniture and fittings	5,525,052	4,958,122	878,206
Renovation	10,544,932	11,189,131	1,759,011
Motor vehicles	3,002,672	3,159,680	726,182
Office equipment	13,810,000	14,643,863	4,332,956
Freehold land and buildings	-	-	58,926
Long term leasehold land and buildings	-	-	4,357
Plant and machinery	-	-	100,129
	<u>32,882,656</u>	<u>33,950,796</u>	<u>7,859,767</u>

4. Plant And Equipment (Cont'd)

Details as at 1.1.2004

	Cost	Accumulated
	RM	Depreciation
		RM
Furniture and fittings	9,796,516	4,904,560
Renovation	17,251,884	5,729,999
Motor vehicles	5,639,072	3,307,949
Office equipment	41,764,182	27,293,127
Freehold land and buildings	8,571,106	515,815
Long term leasehold land and buildings	857,389	163,137
Plant and machinery	1,201,560	861,118
	<u>85,081,709</u>	<u>42,775,705</u>

Fully depreciated plant and equipment at a total cost of RM23,412,236 (2004: RM20,459,351) are still in use.

On 30 April 2004, the Company entered into a Sale and Purchase Agreement with KE-ZAN Holdings Berhad, a related company, to dispose of the freehold and long term leasehold land and buildings including plant and machinery for a total consideration of RM10,350,000 as disclosed in Note 32(c). The disposals were completed on 25 June 2004.

Note

This represents plant and equipment to a subsidiary company, OSK Research Sdn Bhd and a related company, OSK Properties Sdn Bhd at RM44,356 and RM19,441 respectively.

5. Subsidiary Companies

	2005 RM	2004 RM
(a) Investments in subsidiary companies		
Unquoted shares, at cost	8,702,871	8,442,871

Details of additional investment in OSKT during the financial year are disclosed in Note 30(a).

(b) Amounts due from subsidiary companies

The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

The particulars of the subsidiary companies, all of which are incorporated under the Companies Act, 1965 and domiciled in Malaysia, are as follows:

Name of company	Principal activities	Equity interest	
		2005 %	2004 %
OSK Nominees (Tempatan) Sdn. Berhad	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100	100
OSK Nominees (Asing) Sdn. Berhad	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100	100
TCL Nominees (Tempatan) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100	100
TCL Nominees (Asing) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100	100
KE-ZAN Nominees (Tempatan) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for local beneficial shareholders	100	100
KE-ZAN Nominees (Asing) Sdn. Bhd.	To act as attorneys, nominees, agents, trustees and engage in the related activities for foreign beneficial shareholders	100	100
OSK Research Sdn. Bhd.	To provide investment research services	100	100
* OSK-UOB Unit Trust Management Berhad	Management of unit trust funds	70	70
# OSK Trustees Berhad ("OSKT")	Professional wills and trustee services	80	80
<p># The effective equity interest of the Company in OSKT is as follows:</p>			
OSK Securities Berhad	20	20	
OSK Nominees (Tempatan) Sdn. Bhd.		20	20
TCL Nominees (Tempatan) Sdn. Bhd.		20	20
KE-ZAN Nominees (Tempatan) Sdn. Bhd.		20	20
		80	80

* This subsidiary company is audited by a firm of Chartered Accountants other than Messrs. Peter I.M. Chieng & Co.

6. Investment In Associated Company

	2005	2004
	RM	RM
Unquoted shares, at cost	5,027,750	5,027,750

The particulars of the associated company which is incorporated under the Companies Act, 1965 and domiciled in Malaysia are as follows:

Name of company	Principal activities	Equity interest	
		2005	2004
		%	%
Finexasia.com Sdn. Bhd.	Development of financial services portal and related activities	40.05	40.05

7. Other Long Term Investments

	Note	2005	2004
		RM	RM
Admission fees as adviser and sponsor on MESDAQ market of Bursa Securities		250,000	250,000
Less: Amortisation			
At beginning of financial year		30,000	20,000
Amortisation for the financial year		833	10,000
At end of financial year		(30,833)	(30,000)
Less: Refund from MESDAQ Berhad	a	(65,201)	-
Less: Written off		(153,966)	-
		-	220,000
Shares from KLSE demutualisation	b	-	24,984,303
Transferable club memberships		228,200	228,200
Unquoted shares in Malaysia, at cost		490,000	490,000
		718,200	25,922,503

Note a

This is the final distribution received from MESDAQ Berhad upon its liquidation.

Note b

The shares from KLSE demutualisation comprise 9,090,909 ordinary shares in Bursa Malaysia Berhad received by the Company arising from the demutualisation of the Kuala Lumpur Stock Exchange ("KLSE") 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 of 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. The Company disposed of all the shares during the current financial year after the shares were listed on the Main Board of Bursa Securities.

8. Intangible Asset

	2005	2004
	RM	RM
Purchased goodwill, at cost	59,892,449	59,892,449
Less: Amortisation		
At beginning of financial year	10,980,283	8,584,585
Amortisation for the financial year	2,395,698	2,395,698
At end of financial year	13,375,981	10,980,283
Carrying value at end of the financial year	<u>46,516,468</u>	<u>48,912,166</u>

The purchased goodwill represents the excess of the total cash consideration paid by the 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. The Company has since then operated the business acquired as a branch in Ipoh, Perak Darul Rizuan.

9. Trade Receivables

	Note	2005	2004
		RM	RM
Amount owing by clients	a	322,981,139	342,142,899
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)
		<u>307,555,479</u>	<u>328,925,697</u>
Amount owing by brokers		37,015,951	84,131,648
		<u>344,571,430</u>	<u>413,057,345</u>

The trade credit term for securities trading 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 generally ranges from the same trading day to 2 market days.

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 requirement of the Rule of Bursa Securities.

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

Nota a

Classification of non-performing accounts in accordance with the Rule of Bursa Securities.

	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>

The Company's accounting policies and methods adopted in accounting for non-performing accounts are in accordance with Rule 1104.1 of Bursa Securities.

9. Trade Receivables (Cont'd)

Note b

Movement of interest-in-suspense are as follows:

	2005	2004
	RM	RM
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.

Note c

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

	2005	2004
	RM	RM
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 Company has complied with Rule 1104.1 of Bursa Securities and the guidelines set out in Schedule 7 Para 24 of the Rule of Bursa Securities in respect of amounts written off exceeding RM500,000.

Note d

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

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

10. Other Receivables, Deposits And Prepayments

	2005	
2004	RM	RM
Other receivables	7,533,959	14,488,821
Deposits	3,974,193	3,973,955
Prepayments	1,080,098	2,733,240
	<u>12,588,250</u>	<u>21,196,016</u>

Included in the deposits are rental and utility deposits paid to KE-ZAN Holdings Berhad, a related company, amounting to RM1,953,654 (2004: RM1,840,605).

11. Amount Due From Holding Company

The amount due from holding company is unsecured, interest free and has no fixed terms of repayment.

12. Amount Due From/(To) A Related Company

Amount due from/(to) a related company are trade in nature and in relation to transactions conducted in the ordinary course of business.

13. Investments In Securities

	Note	2005 RM	2004 RM
At cost:			
Marketable securities in Malaysia		3,546,439	5,339,460
Less: Allowance for diminution in value		(1,679,907)	(1,561,469)
		1,866,532	3,777,991
Private debt securities in Malaysia			
- Seven Year Serial Al-Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS")	a b	-	40,587,314
- Others		152,502,663	369,465,836
		152,502,663	410,053,150
Unit trust fund quoted outside Malaysia			
Less: Allowance for diminution in value		502,051 (502,051)	502,051 (214,255)
		-	287,796
		<u>154,369,195</u>	<u>414,118,937</u>
At market value:			
Marketable securities in Malaysia		1,866,532	3,746,081
Private debt securities in Malaysia			
- BaIDS		-	42,518,020
- Others		152,503,925	378,280,250
		152,503,925	420,798,270
Unit trust fund quoted outside Malaysia		-	287,796
		<u>154,370,457</u>	<u>424,832,147</u>

Note a

The private debt securities in Malaysia comprise debt securities subscribed by the Company via underwriting commitments amounting to RM150,000,000 (2004: RM410,053,150).

Note b

The BaIDS were issued by a related company, OSK Property Holdings Berhad ("OSKPH"), in previous financial year. On 20 May 2005, OSKPH made an early redemption of its entire RM25 million nominal value of Tranche No.4 of the BaIDS prior to its maturity date as disclosed in Note 30(b).

14. Cash, Bank Balances And Deposits

	2005	2004
	RM	RM
(a) General accounts:		
Cash and bank balances	14,875,047	15,187,999
Short term placement with licensed banks via interbank market	104,850,000	-
	<u>119,725,047</u>	<u>15,187,999</u>
(b) Segregated accounts:		
Bank balances	78,627,072	17,496,636
Short term placements with licensed banks	95,991,000	64,240,000
Fixed deposits with licensed banks	-	34,700,000
	<u>174,618,072</u>	<u>116,436,636</u>
	<u>294,343,119</u>	<u>131,624,635</u>

Segregated accounts represent monies held in trust accounts maintained with banks in accordance with the relevant rules of Bursa Securities and Securities Industry Act and Regulations.

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

	2005	2004
	%	%
General accounts	3.00	-
Segregated accounts	<u>2.81 to 2.85</u>	<u>2.55 to 2.75</u>

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

	2005	2004
	Days	Days
General accounts	3	-
Segregated accounts	<u>4</u>	<u>4</u>

15. Trade Payables

	2005	2004
	RM	RM
Amount due to clients	79,081,434	121,345,449
Amount due to brokers	159,468,837	30,967,998
	<u>238,550,271</u>	<u>152,313,447</u>

The trade credit term for securities trading is 3 market days in accordance with Fixed Delivery and Settlement Trading Rules of Bursa Securities.

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

16. Other Payables, Deposits And Accruals

	2005	2004
	RM	RM
Other payables	1,648,950	2,863,172
Deposits received from dealer's representatives	30,415,444	34,862,369
Accruals (Note)	76,269,291	76,677,048
	<u>108,333,685</u>	<u>114,402,589</u>

Note

Included in accruals is an amount of RM54,185,335 (2004: RM52,026,557) provided for a litigation claim against the Company as stated in Note 33.

17. Short Term Borrowings (Unsecured)

	2005	2004
	RM	RM
Bank overdrafts	67,817,919	2,325,717
Revolving credits	-	346,500,000
	<u>67,817,919</u>	<u>348,825,717</u>

The short term borrowings are supported by corporate guarantees from the holding company. Interest rate on short term borrowings was charged at 1.0% to 2.0% (2004: 1.0% to 2.0%) per annum above the banks' base lending rates or cost of funds where relevant.

	2005	2004
	RM	RM
Repayment schedule of the revolving credits are as follow:		
- Rollover on daily basis	-	316,500,000
- Rollover on weekly basis	-	30,000,000
	<u>-</u>	<u>346,500,000</u>

18. Share Capital

	2005	2004
	RM	RM
Authorised:		
Ordinary shares of RM1 each		
At beginning of financial year	500,000,000	500,000,000
Created during the financial year	500,000,000	-
At end of financial year	<u>1,000,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of financial year	500,000,000	500,000,000
Issued during the financial year	30,000,000	-
At end of financial year	<u>530,000,000</u>	<u>500,000,000</u>

18. Share Capital (Cont'd)

On 28 December 2005, the Company increased its:

- (i) authorised ordinary share capital from RM500,000,000 to RM1,000,000,000 through the creation of 500,000,000 ordinary shares of RM1 each; and
- (ii) issued and paid-up ordinary share capital from RM500,000,000 to RM530,000,000 through the issuance of 30,000,000 ordinary shares of RM1 each at par for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

19. Deferred Tax Liabilities

	2005	2004
	RM	RM
At beginning of financial year	2,564,720	3,407,706
Transfer to/(from) income statement (Note 26)	522,280	(842,986)
At end of financial year	<u>3,087,000</u>	<u>2,564,720</u>
The deferred tax liabilities mainly relate to temporary differences arising from:		
Excess of capital allowances over depreciation	3,127,971	2,613,607
General allowance for doubtful debts	(40,971)	(48,887)
	<u>3,087,000</u>	<u>2,564,720</u>

20. Revenue

	2005	2004
	RM	RM
Revenue includes:		
Advisory, agency and arrangement fees	9,456,502	12,496,389
Carrying charges	6,059,066	4,662,001
Gain on disposal of fixed income instruments	33,784,949	39,837,311
Gross brokerage fees	86,814,491	126,600,921
Interest income		
- from clients	24,176,331	25,949,962
- from short term placements and fixed deposits	1,405,230	408,658
- fixed income instruments	7,750,019	11,556,922
- interbank interest	4,647	-
	<u>33,336,227</u>	<u>37,915,542</u>
Placement fee	1,586,011	1,721,110
Underwriting commission	<u>3,289,943</u>	<u>5,095,200</u>

21. Direct Costs

	2005	2004
	RM	RM
Direct costs include:		
Commissions	19,297,281	29,354,833
Referral fees	16,545,205	27,387,671
Securities Commission levy	1,513,979	1,984,391

22. Other Operating Income

	2005	2004
	RM	RM
Other operating income include:		
Bad debts recovered	441,351	7,157,902
Capital gain on shares from KLSE demutualisation	-	24,984,303
Gain on disposal of property, plant and equipment	286,769	1,474,339
Gain on disposal of shares in Bursa Malaysia Berhad	11,564,881	-
Gain on foreign exchange	14,451	26,585
General allowance for bad and doubtful debts written back	28,273	63,872
Gross dividend		
- marketable securities quoted in Malaysia	162,916	32,284
- unquoted shares in Malaysia	294,000	83,300
- received from subsidiary companies	3,500,000	3,218,030
	3,956,916	3,333,614
Allowance for diminution in value of marketable securities written back	27,681	153,956
Office rental received		
- subsidiary company	134,321	155,095
- related company	132,000	22,000
	266,321	177,095
Specific allowance for bad and doubtful debts written back	1,211,286	1,062,257

23. Administrative Expenses

	2005	2004
	RM	RM
Administrative expenses include:		
Auditors' remuneration		
- statutory audit	45,000	45,000
- other services	2,250	2,250
	47,250	47,250
Depreciation	8,189,061	7,859,767
Hire of equipment	6,609,887	6,535,888
Rental of premises paid to		
- related companies	6,924,445	6,205,218
- others	3,366,738	3,307,401
	10,291,183	9,512,619
Directors' remuneration (Note a)		
- fee	60,000	60,000
- other emoluments	8,226,658	5,621,173
	8,286,658	5,681,173
Staff costs		
- Employees Provident Fund	4,910,396	4,731,665
- social security costs	416,039	334,627
- salaries, wages, allowances and bonus	41,881,972	40,303,196
- other staff related expenses	884,253	737,485
	<u>48,092,660</u>	<u>46,106,973</u>

Note a

The remuneration of the directors of the Company consist of the following:

	Executive	Non-Executive	Total
	RM	RM	RM
2005			
Fee - current year	48,000	12,000	60,000
Other emoluments			
- Employees Provident Fund	783,063	-	783,063
- incentive/bonus	2,750,395	-	2,750,395
- salaries	4,693,200	-	4,693,200
	<u>8,226,658</u>	<u>-</u>	<u>8,226,658</u>
Benefits-in-kind	105,168	-	105,168
	<u>8,331,826</u>	<u>-</u>	<u>8,331,826</u>
	Executive	Non-Executive	Total
	RM	RM	RM
2004			
Fee - current year	48,000	12,000	60,000
Other emoluments			
- Employees Provident Fund	566,361	-	566,361
- incentive/bonus	1,964,812	-	1,964,812
- salaries	3,090,000	-	3,090,000
	<u>5,621,173</u>	<u>-</u>	<u>5,621,173</u>
Benefits-in-kind	100,934	-	100,934
	<u>5,722,107</u>	<u>-</u>	<u>5,722,107</u>

23. Administrative Expenses (Cont'd)

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

	Executive	Non-Executive	Total
2005			
RM50,000 and below	-	2	2
RM200,001 up to RM250,000	2	-	2
RM350,001 up to RM400,000	1	-	1
RM450,001 up to RM500,000	2	-	2
RM800,001 up to RM850,000	1	-	1
RM1,350,001 up to RM1,400,000	1	-	1
RM4,400,001 up to RM4,450,000	1	-	1
	<u>8</u>	<u>2</u>	<u>10</u>
	Executive	Non-Executive	Total
2004			
RM50,000 and below	-	2	2
RM200,001 up to RM250,000	3	-	3
RM300,001 up to RM350,000	1	-	1
RM400,001 up to RM450,000	1	-	1
RM450,001 up to RM500,000	1	-	1
RM1,150,001 up to RM1,200,000	1	-	1
RM2,550,001 up to RM2,600,000	1	-	1
	<u>8</u>	<u>2</u>	<u>10</u>

24. Other Operating Expenses

	2005 RM	2004 RM
Other operating expenses include:		
Amortisation of MESDAQ admission fees	833	10,000
Amortisation of purchased goodwill	2,395,698	2,395,698
Bad debts written off	87,652	-
Allowance for diminution in value of investment in securities	406,234	1,480,055
MESDAQ admission fees written off	153,966	-
Plant and equipment written off	840,820	488,961
Provision for compensation for legal suit (Note)	2,158,778	55,199,444
Specific allowance for bad and doubtful debts	4,706,602	3,186,971
	<u> </u>	<u> </u>

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 the Company as disclosed in Note 33.

25. Finance Costs

	2005	2004
	RM	RM
Bank facilities commitment fees	4,028,712	2,695,573
Bank overdrafts/revolving credits interest	5,215,636	6,780,913
	<u>9,244,348</u>	<u>9,476,486</u>

26. Tax Expense

	2005	2004
	RM	RM
Tax charge for the financial year:		
In respect of the current financial year		
- Malaysian income tax	5,605,000	20,238,900
- Transfer from/(to) deferred tax liabilities (Note 19)	522,280	(842,986)
	<u>6,127,280</u>	<u>19,395,914</u>
In respect of the previous financial year		
- Malaysian income tax	(4,534,501)	(586,654)
	<u>1,592,779</u>	<u>18,809,260</u>

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

The reconciliation between the tax at statutory tax rate on the profit before taxation and the tax expense is as follows:

	2005	2004
	RM	RM
Profit before taxation ("PBT")	<u>22,398,996</u>	<u>33,245,364</u>
Tax at statutory tax rate of 28% on PBT	6,271,719	9,308,702
Effect of income not subjected to tax	(5,364,921)	(6,995,605)
Effect of expenses not deductible for tax purposes	4,766,026	17,082,817
Underprovision of deferred tax in prior years	454,456	-
Overprovision of income tax expense in prior years	(4,534,501)	(586,654)
Tax expense for the financial year	<u>1,592,779</u>	<u>18,809,260</u>

Subject to agreement by the Inland Revenue Board, 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 out of its entire retained profits as at 31 December 2005 without incurring additional tax liabilities.

27. Earnings Per Share

The earnings per share has been calculated by dividing the profit for the financial year of RM20,806,217 (2004: RM14,436,104) over the weighted average number of ordinary shares in issue of 500,328,767 (2004: 500,000,000) during the financial year.

28. Dividends

	Amount		Net dividend per share	
	2005 RM	2004 RM	2005 Sen	2004 Sen
Interim dividends for the financial year ended 31 December 2005				
4.0 sen per share less 28% income tax, paid on 16 May 2005	14,400,000	-	2.8800	-
2.9 sen per share less 28% income tax, paid on 30 August 2005	10,440,000	-	2.0880	-
0.5898 sen per share (tax exempt), paid on 30 August 2005	2,949,234	-	0.5898	-
Interim dividends for the financial year ended 31 December 2004				
8.0 sen per share less 28% income tax, paid on 30 June 2004	-	28,800,000	-	5.7600
0.7816 sen per share (tax exempt), paid on 30 June 2004	-	3,908,000	-	0.7816
	<u>27,789,234</u>	<u>32,708,000</u>		

29. Commitments

	2005 RM	2004 RM
Underwriting commitments	195,000,000	105,187,523
Capital commitment - authorised and contracted for, Note 30(g)	112,222,200	-
	<u>307,222,200</u>	<u>105,187,523</u>

30. Significant Events

- (a) On 24 January 2005, the Company subscribed for additional 12,000 ordinary shares of RM10 each in OSK Trustees Berhad ("OSKT"), partly paid at RM5 each amounting to RM60,000.

Subsequently, on 15 March 2005, the Company subscribed for an additional 40,000 ordinary shares of RM10 each in OSKT, partly paid at RM5 each amounting to RM200,000.

Upon subscription of the additional shares, the Company's direct equity interest in OSKT remained at 20%.

- (b) On 20 May 2005, the Company received 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) together with coupon payment of RM150,273 accrued thereon from OSK Property Holdings Berhad ("OSKPH"), a related company, being early redemption of OSKPH's entire RM25 million nominal value of Tranche No.4 of the BalDS prior to its maturity date of 6 April 2011.
- (c) On 1 September 2005, the Company converted its Butterworth branch into an Electronic Access Facilities - Permitted Activities ("EAFPA") under Penang Branch as approved by the Securities Commission ("SC") on 30 August 2005.
- (d) On 28 September 2005, the Company obtained the approval from Bank Negara Malaysia ("BNM") to access the interbank money market for borrowing and lending of ringgit funds, as governed by the Guideline on Access to Interbank Market by Universal Brokers issued by BNM on 18 July 2005. The Company commenced Interbank Market activities on 16 December 2005.
- (e) On 1 October 2005, the Company converted its Batu Pahat, Miri and Sibul branches into EAFPAs under Johor Bahru and Kuching branches as approved by the SC on 30 August 2005.
- (f) On 16 November 2005, 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 are listed on the Main Board of the Bursa Securities on 8 December 2005. Details of the Basket CW are disclosed in Note 34.

- (g) On 15 December 2005, the Company has entered into a conditional Sale Share Agreement ("SSA") 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 (equivalent to approximately RM112,222,200) to be wholly satisfied by cash.

31. Subsequent Event

On 4 January 2006, the Company paid an initial deposit of RM10 million as a part payment of total contribution of RM52.5 million to Bank Negara Malaysia ("BNM") for an investment banking license to transform the Company from a Universal Broker into an Investment Bank.

32. Significant Related Party Transactions And Relationships

(a) Directors of the Company

The directors' remuneration included in the administrative expenses as disclosed in Note 23 are paid/payable to the following directors:

Executive Directors

Dato' Nik Mohamed bin Nik Yahya
 Ong Leong Huat @ Wong Joo Hwa
 Wong Chong Kim
 Chin Cheng Mei
 Nik Halim @ Nik Ghazi bin Haji Nik Daud
 Mohd. Idris bin Ahmad Jais
 Diong King Kuang
 Tai Lee Chuan

Non-Executive Directors

Dato' Mohamed Tarmizi bin Mohd. Tahir
 Loy Tuan Bee

(b) Subsidiary and associated companies

By virtue of the Company being wholly and ultimately owned by OSK Holdings Berhad, a public listed company incorporated in Malaysia which prepared consolidated financial statements, the Company is exempted from the disclosure of significant related party transactions in accordance with Paragraph 5(c) of MASB FRS 124: Related Party Disclosures, except for not wholly owned subsidiary and associated companies as follows:

Identities	Nature of transactions	2005 RM	2004 RM
(i) <u>Subsidiary company</u>			
OSK-UOB Unit Trust	(i) Commission received	(447,587)	(291,925)
Management Berhad	(ii) Office rental received	(134,321)	(155,095)
(ii) <u>Associated companies</u>			
Finexasia.com Sdn. Bhd.	(i) Online trading access fee paid	3,461,805	3,658,635
	(ii) Annual fee paid	820,000	820,000
	(iii) Corporate website development, content management and hosting fees paid	35,300	27,400
OSK Trustees Berhad	Commissions received	(83,806)	(4,364)

32. Significant Related Party Transactions And Relationships (Cont'd)

(c) Related companies

Identities	Nature of transactions	2005 RM	2004 RM
KE-ZAN Holdings Bhd.	Sales of property, plant and equipment	-	10,350,000
OSK Capital Partners Sdn. Bhd.	Brokerage received on share trading	(86,904)	-
OSK Futures and Options Sdn. Bhd.	Office rental received	(132,000)	(22,000)
OSK Property Holdings Berhad	(i) BalDS settlement proceeds received	(22,070,000)	-
	(ii) Coupon payment on BalDS settlement	(150,273)	-
	(iii) Advisory fees received	(272,000)	(979,210)
	(iv) Brokerage received on share buyback	(27,653)	-
	(v) Agency fees received	(56,250)	(100,000)
OSK Properties Sdn. Bhd.	(i) Office rental paid	245,465	40,000
	(ii) Net book value of plant and equipment transferred out	(19,441)	-
OSK Ventures International Berhad	Advisory fee received	(90,000)	-
OSK Technology Ventures Sdn. Bhd.	Brokerage received on share trading	(112,901)	(22,242)
OSK Venture Equities Sdn. Bhd.	(i) Brokerage received on share trading	(103,848)	(32,210)
	(ii) Referral fee paid	110,000	-

Other related companies of the Company are as follows:

Ascendas-OSK REIT Management Sdn. Bhd.

Aspect Potential Sdn. Bhd.

Aspect Synergy Sdn. Bhd.

K.E. Malaysian Capital Partners Sdn. Bhd.

KPEN Sdn. Bhd.

OSK Asia Futures Limited (Formerly known as Regal Sun Investments Limited)

OSK Asia Holdings Limited

OSK Asia Nominees Limited

OSK Asia Securities Limited (Formerly known as Prudence Securities Company Limited)

OSK Asset Management Sdn. Bhd.

OSK Capital Sdn. Bhd.

OSK Futures and Options Sdn. Bhd.

OSK Investment Bank (Labuan) Limited

OSK Melaka Sdn. Bhd.

OSK Private Equity Management Sdn. Bhd.

OSK Properties (Seremban) Sdn. Bhd.

OSK Properties Management Sdn. Bhd.

OSK Realty Sdn. Bhd.

OSK Ventures Sdn. Bhd.

Stock 188.com Sdn. Bhd.

32. Significant Related Party Transactions And Relationships (Cont'd)

(d) Other related parties

(i) Subsidiary companies of PJ Development Holdings Berhad

Identities	Nature of transactions	2005 RM	2004 RM
Damai Laut Golf Resort Sdn. Bhd.	Hotel accommodation and related charges paid	16,150	38,003
Golden Parade Sdn. Bhd.	Rental paid for storage space	-	29,350
MM Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	38,228	20,996
PJ Equity Sdn. Bhd.	Brokerage received on share trading	-	(35,595)
PJD Hotels Sdn. Bhd.	Hotel accommodation and related charges paid	44,420	22,849
Pengerang Jaya Pte. Ltd.	Brokerage received on share trading	-	(57,316)
Swiss Garden Management Services Sdn. Bhd.	Hotel accommodation and related charges paid	<u>25,837</u>	<u>46,062</u>

(ii) Subsidiary companies of Dindings Consolidated Sdn. Bhd.

Identities	Nature of transactions	2005 RM	2004 RM
DC Services Sdn. Bhd.	Insurance premium paid	105,915	139,813
Dindings Risks Management Services Sdn. Bhd.	Insurance premium paid	<u>540,626</u>	<u>512,602</u>

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 and Mr Wong Chong Kim.

Identities	Nature of transactions	2005 RM	2004 RM
(iii) Cheang & Ariff	Legal fees paid	<u>330,828</u>	<u>4,305</u>
A partner of the aforesaid company is Mr. Loy Tuan Bee.			
(iv) Willowglen (M) Sdn. Bhd.	Purchase of vision link video monitoring system	<u>-</u>	<u>24,195</u>

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

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.

33. Material Litigations

Saved as disclosed below, the Company is not engaged in any material litigation either as plaintiff or defendant and the Directors are not aware of any proceedings pending or threatened against the Company or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Company.

Kuala Lumpur High Court Suit No. D8 (D3)-22-543-1993 Assets 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 year 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 has also been 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 the Company for compensation for this legal suit as disclosed in Note 16.

34. Basket Call Warrants ("Basket CW")

Pursuant to the public offering of the Zero-Strike Basket Call Warrants ("Basket CW") as disclosed in Note 30(f), the Company 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 the Company 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 of the Company for accounting purposes as substantially the risks and rewards incidental to ownership of the Underlying Securities have been transferred to the Basket CW holders.

35. Financial Instruments

(a) Credit risk

The Company has no significant concentration of credit risk from exposure to a single debtor or to group of debtors except that the majority of the fixed deposits and short term placements are placed with major licensed bank 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 liabilities are disclosed in their respective notes.

(c) Operational risk

The operational risk arises from the daily function of the Company 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 is no material unhedged financial assets and liabilities that are not denominated in their functional currencies which may give rise to currency risk.

35. Financial Instruments (Cont'd)

(e) Fair values

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

	2005		2004	
	Carrying amounts RM	Fair values RM	Carrying amounts RM	Fair values RM
<u>Financial assets</u>				
Other long term investments (Note 7)				
(i) MESDAQ admission fees	-	-	220,000	220,000
(ii) Shares from KLSE demutualisation	-	-	24,984,303	24,984,303
(iii) Transferable club memberships	228,200	1,292,000	228,200	1,282,000
(iv) Unquoted shares	490,000	1,123,363	490,000	933,651
Amount due from holding company (Note 11)	53,082,632	#	61,856,380	#
Amounts due from subsidiary companies [Note 5(b)]	290,317	#	18,758	#
Investment in securities (Note 13)				
(i) Marketable securities quoted in Malaysia	1,866,532	1,866,532	3,777,991	3,746,081
(ii) Private debt securities in Malaysia	152,502,663	152,503,925	410,053,150	420,798,270
(iii) Unit trust fund quoted outside Malaysia -	-	287,796	287,796	

It is not practical to estimate the fair values of amounts due to/from holding and subsidiary 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. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be settled or received.

35. Financial Instruments (Cont'd)

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

(a) Other long term investments

- (i) MESDAQ admission fees
 - The fair value approximates the carrying amount.
- (ii) Shares from KLSE demutualisation
 - The fair value is determined by reference to the net tangible assets of the underlying shares.
- (iii) Transferable club membership
 - The fair value is based on the current market price of the relevant golf club memberships.
- (iv) Unquoted shares
 - The fair value is determined by reference to the net tangible assets of the underlying shares.

(b) Investment in securities

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

(c) Cash and cash equivalents, trade and other receivables/payables, amount due from/to a related company and short term borrowings

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

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

36. Comparative Figures

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

	Note	As previously stated RM	Adjustments RM	As restated RM
Plant and equipment	(a)	35,824,096	(1,873,300)	33,950,796
Other receivables, deposits and prepayments	(a)	19,322,716	1,873,300	21,196,016
Trade receivables	(b)	412,961,379	95,966	413,057,345
Trade payables	(b)	(149,458,950)	(2,854,497)	(152,313,447)
Amount due to a subsidiary company	(b)	(2,739,773)	2,739,773	-
Amount due from subsidiary companies	(b)	-	18,758	18,758

Note a

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

Note b

Balances held on trust for external parties which were previously included in amounts due from and due to subsidiary companies are being reclassified to trade receivables and trade payables to reflect the nature of the items involved.