

11. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST

11.1 Related Companies with Similar Trade

None of the Directors or substantial shareholders of the Company or its subsidiaries have any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiaries.

The principal activities of OSKVI and its subsidiaries are provision of venture capital business and the management of investments in securities of venture capital business. Other than OSKH's shareholdings in OSKVI, OSKH Group is not in competition with OSKVI Group as they do not provide venture capital business or management of investments in securities of venture capital business.

Dato' Nik Mohamed Din Bin Datuk Nik Yusoff, Mr. Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim, the common directors of OSKH and OSKVI are not members of the Audit Committee.

OSKVI's Articles of Association do not allow the Directors to vote on any contract or arrangement or proposal in which they have direct/indirect interest.

The MMLR also sets out that it is the duty of each Director of a listed company to declare to the Board of Directors any interest he has in any contract, arrangement or proposal in which the listed company or its subsidiaries proposes to enter, of which he is aware.

11.2 Related-Party Transactions

Save as disclosed below, as far as the Directors are aware, none of the directors and/or substantial shareholders of the OSKVI Group of the Company have any interest, direct or indirect, in the promotion of or in any assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or proposed to be acquired or disposed of or proposed to be disposed of by or leased or proposed to be leased to the Company or its subsidiaries or in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company and its subsidiaries taken as a whole.

11.2.1 *Transaction entered into with or involving the interest of OSKH, a substantial shareholder of OSKVI*

- (a) Tenancy agreement dated 13 November 2002 between OSKVE and OSK Realty Sdn Bhd (a wholly-owned subsidiary of OSKH), for the rental of 15th Floor of Plaza OSK by OSKVE from OSK Realty Sdn Bhd.
- (b) Agreement dated 15 December 2003 between OSKVI and OSKS (a wholly-owned subsidiary of OSKH) for the appointment of OSKS as the Main Adviser to OSKVI for the Company's Listing exercise.
- (c) On 30 December 2003, OSKVI entered into a Conditional Sale and Purchase Agreement with OSKH for the following acquisitions from OSKH:
 - (aa) the entire issued and paid-up capital of OSKVE comprising 10,000,000 ordinary shares of RM1.00 each for a consideration of RM13,144,032 to be satisfied through the issuance of 131,440,320 new OSKVI Shares issued at par;
 - (bb) the entire issued and paid-up capital of OSKTV comprising 150,000 ordinary shares of RM1.00 each for a consideration of RM2,637,864 to be satisfied through the issuance of 26,378,640 new OSKVI Shares issued at par; and
 - (cc) The entire issued and paid-up capital of OSKPEM comprising 150,000 ordinary shares of RM1.00 each for a consideration of RM162,903 to be satisfied through the issuance of 1,629,030 new OSKVI Shares at par.

11. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (CONT'D)

- (d) Underwriting agreement dated 15 July 2004 between OSKVI, OSKS, Public Merchant Bank Berhad, AmMerchant Bank Berhad and Commerce International Merchant Bankers Berhad for the underwriting of 75,000,000 OSKVI Shares pursuant to the Public Issue for an underwriting commission of 1.5% of the Issue Price.
- (e) Placement agreement dated 15 July 2004 between OSKVI and OSKS for the placement of 550,000,000 OSKVI Shares at the rate of 1.0% for placees identified and secured by the Placement Agent.
- (f) Sponsorship agreement dated 28 July 2004 between OSKS and OSKVI whereby OSKVI appointed OSKS as the sponsor for its listing on the MESDAQ Market pursuant to the MMLR for a period of one (1) year from the date of OSKVI's admission to the official list of the MESDAQ Market.

11.2.2 Transaction entered into with or involving the interest of its directors, key management and key technical personnel

Save for employment and services agreement between the OSKVI Group and its directors, key management and key technical personnel, and the payment of the directors' fees and remuneration to its directors, OSKVI believes that the OSKVI Group has no other transaction with its directors, key management and key technical personnel.

11.2.3 Recurrent Related Party Transactions

The OSKVI Group has before the date of this Prospectus entered into recurrent related party transactions which are of a revenue or trading nature ("Recurrent Related Party Transactions), which are necessary for the OSKVI Group's day-to-day operations and in the ordinary course of business and on terms which are at arms' length and are not more favourable to the related parties than those generally available to the public. Below are the Recurrent Related Party Transactions:-

- (a) Tenancy agreement dated 13 November 2002 between OSKVE and OSK Realty Sdn Bhd (a wholly-owned subsidiary of OSKH), for the rental of 15th Floor of Plaza OSK by OSKVE from OSK Realty Sdn Bhd.
- (b) Sponsorship agreement dated 28 July 2004 between OSKS and OSKVI whereby OSKVI appointed OSKS as the sponsor for its listing on the MESDAQ Market pursuant to the MMLR for a period of one (1) year from the date of OSKVI's admission to the official list of the MESDAQ Market.

11.3 Conflict of Interest

On completion of the Public Issue, OSKH will hold 825,000,000 shares, representing approximately 55% of the enlarged issued and paid-up share capital of OSKVI. OSKVI and OSKS are related companies, by virtue of both companies being subsidiaries of OSKH. Mr. Ong Leong Huat @ Wong Joo Hwa and Mr. Wong Chong Kim, are common directors of OSKS and OSKVI.

The interest disclosed above does not give rise to a situation of conflict of interest and accordingly, OSKS confirms that there are no existing or potential conflicts of interest in its capacity as Adviser for the listing of OSKVI on the MESDAQ Market.

In addition, the following is to be noted:-

- (a) none of the shares to be placed out as detailed in Section 3.6(b) of this Prospectus will be placed to OSKH and persons connected to them in compliance with the MMLR;
- (b) the pricing of the Issue Shares will be market driven after considering the demand and supply for the said shares and market sentiments at the point of the Public Issue; and

11. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (CONT'D)

- (c) save for the professional fees, the listing proceeds are proposed to be used for various applications of which OSKH will not be deriving any benefit there from.

Save as disclosed above, OSKS confirms that, as at the date of this Prospectus, there is no other existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Managing Underwriter and Placement Agent for the listing exercise.

Public Merchant Bank Berhad has confirmed that there is no conflict of interest in its capacity as the Independent Adviser in relation to the listing exercise.

Ernst & Young and Cheang & Ariff have given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Reporting Accountants and Solicitors for the listing exercise respectively.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



OSK VENTURES INTERNATIONAL BERHAD
(636117-K)

Registered Office:

20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

27 July 2004

The Shareholders

OSK VENTURES INTERNATIONAL BERHAD (“OSKVI” or “Company”)

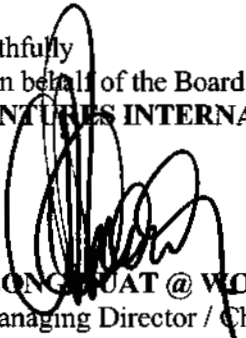
Dear Sir/Madam

On behalf of the Board of Directors of OSKVI, I report that after making due enquiries in relation to the interval between 31 March 2004, being the date to which the last audited financial statements of the Group and its subsidiary companies have been made up, and 27 July 2004, being a date not earlier than fourteen (14) days before the issue of this Prospectus:-

- (a) the business of the Company and its subsidiary companies, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, save as disclosed in this Prospectus, no circumstances have arisen since the last audited accounts of the Company and its subsidiary companies, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) as disclosed in this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company and its subsidiary companies;
- (e) as disclosed in this Prospectus, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (f) as disclosed in this Prospectus, there have been neither changes to the published reserves nor any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully

For and on behalf of the Board of Directors
OSK VENTURES INTERNATIONAL BERHAD


ONG LEONG HUAT @ WONG JOO HWA
Group Managing Director / Chief Executive Officer

13. ACCOUNTANTS' REPORT



■ **Chartered Accountants**
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

■ Phone : (03) 2087-7000
Fax : (03) 2095-5332
(General Line)
(03) 2095-9076
(03) 2095-9078
www.ey.com/my

Mail Address:
P.O. Box 11040
50734 Kuala Lumpur, Malaysia

30 July 2004

The Board of Directors
OSK Ventures International Berhad
15th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

Dear Sirs,

1 INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the prospectus to be dated 10 August 2004 in connection with the Public Issue of 675,000,000 new ordinary shares of RM0.10 each at an offer price of RM0.26 per ordinary share in OSK VENTURES INTERNATIONAL BERHAD ("OSKVI" or the "Company") and the listing of and quotation for the entire issued and paid-up share capital of OSKVI comprising 1,500,000,000 ordinary shares of RM0.10 each on the Malaysian Exchange of Securities Dealing and Automated Quotation ("MESDAQ") Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

2 GENERAL INFORMATION

2.1 The Company

OSKVI was incorporated in Malaysia as a public limited company on 5 December 2003 under the Companies Act, 1965. The principal activity of the Company is that of investment holding.

2.2 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up capital of OSKVI on the MESDAQ Market of Bursa Malaysia, the Company undertook the following listing scheme which was approved by Bursa Malaysia and Securities Commission ("SC") on 18 May 2004.

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

2.2 Listing Scheme (Contd.)

- **Acquisition of Subsidiaries**

On 8 July 2004, OSKVI completed the acquisition of the following companies from OSK Holdings Berhad at their net tangible assets (NTA) value as at 30 September 2003 via the issuance of new ordinary shares of RM0.10 each at par as follows:

	NTA RM	No. of new ordinary shares of RM0.10 issued
OSK Venture Equities Sdn. Bhd. ("OSKVE")	13,144,032	131,440,320
OSK Technology Ventures Sdn. Bhd. ("OSKTV")	2,637,864	26,378,640
OSK Private Equity Management Sdn. Bhd. ("OSKPEM")	162,903	1,629,030
	<u>15,944,799</u>	<u>159,447,990</u>

- **Special Issue**

The Company completed the issuance of 665,551,990 new ordinary shares of RM0.10 each to the holding company, OSK Holdings Berhad via the capitalisation of intercompany balance amounting to RM39,700,000 and for cash amounting to RM27,500,000 on 8 July 2004.

- **Public Issue**

The Company is undertaking a public issue of 675,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.26 per share to the Malaysian public, companies, societies, co-operatives and institutional and private placement to prospective local and foreign institutional and individual investors by way of application.

2.3 Share Capital

As at the date of this Report, the authorised share capital of OSKVI is RM500,000,000 divided into 5,000,000,000 ordinary shares of RM0.10 each. The issued and paid-up share capital is RM82,500,000 comprising 825,000,000 ordinary shares of RM0.10 each.

Date of allotment	Number of ordinary shares of RM0.10 each	Consideration	Cumulative Issued and fully paid-up share capital RM
5 December 2003	20	Subscribers' shares	2
8 July 2004	159,447,990	Acquisition of subsidiaries Capitalisation of advances	15,944,801
8 July 2004	665,551,990	and cash	82,500,000

13. ACCOUNTANTS' REPORT (CONT'D)**2.4 Subsidiaries Companies**

At the date of this report, the subsidiaries of OSKVI are as follows:-

Company	Date of Incorporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activities
OSKVE	18 February 2000	10,000,000	100	Provision of venture capital business.
OSKTV	12 October 1994	150,000	100	The intended principal activities at incorporation were investment and management of property and property rights in Malaysia. OSKTV commenced operations on 18 November 2002. The principal activity is the provision of venture capital business.
OSKPEM	23 April 1997	150,000	100	The intended principal activity at incorporation was to carry on the business of a close end fund. OSKPEM commenced operations on 18 November 2002. The principal activities are the management of investments in securities of venture capital business.

All of the companies were incorporated in Malaysia as private limited companies, limited by shares under the Companies Act, 1965.

OSKVI and its subsidiary companies are collectively known as OSKVI Group or the Group throughout the financial periods covered in this Report.

13. ACCOUNTANTS' REPORT (CONT'D)**3 FINANCIAL STATEMENTS AND AUDITORS**

Company	Auditors	Financial period/year ended
OSKVI	Ernst & Young	5 December 2003 (Date of incorporation) till todate
OSKVE	Ernst & Young HLB I.M. Chieng & Co.	31 December 2003 till todate 31 December 1999 to 31 December 2002
OSKTV	Ernst & Young HLB I.M. Chieng & Co. Arthur Andersen & Co.	31 December 2003 till todate 31 December 2002 31 December 1999 to 31 December 2001
OSKPEM	Ernst & Young HLB I.M. Chieng & Co. Arthur Andersen & Co.	31 December 2003 till todate 31 December 2002 31 December 1999 to 31 December 2001

There were no reservations or qualifications in the auditors' reports on the financial statements of OSKVI, OSKVE, OSKTV and OSKPEM in the respective financial periods covered in this Report.

4 DIVIDENDS

No dividends have been declared or paid during the financial periods under review.

5 FINANCIAL INFORMATION AND LIMITATIONS

We set out in the following pages the financial information of the Pro forma Group, OSKVI, OSKVE, OSKTV and OSKPEM based on the audited financial statements of these companies for the relevant financial periods covered in this Report.

The scope of work conducted in the preparation of this Report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this Report, we have relied upon information and representations given to us by Directors, officers and employees of the respective companies and sought explanations for apparent discrepancies, if any.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENTS****6.1 Pro Forma Consolidated Income Statements**

The pro forma consolidated income statements have been prepared for illustrative purposes only and have been drawn up based on the audited financial statements of OSKVI and of its subsidiary companies as at 31 March 2004, assuming that OSKVI Group existed prior to 1999. The pro forma consolidated financial results are accounted for under the merger accounting principles as set out in the Malaysian Accounting Standards Board ("MASB") standard No. 21.

We set out below the pro forma consolidated financial results of OSKVI Group for the past six (6) financial periods: -

	← Year ended 31 December →					1.1.2004
	1999	2000	2001	2002	2003	to 1.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	2,360	1,747	2,454	5,780	2,049
Other operating income	-	-	-	3	-	-
Administrative and other operating expenses	-	(448)	(318)	(544)	(912)	(268)
Profit from operations	-	1,912	1,429	1,913	4,868	1,781
Finance costs	-	-	(776)	(1,748)	(446)	-
Profit before taxation	-	1,912	653	165	4,422	1,781
Taxation	-	(586)	(190)	(75)	(110)	-
Net profit after taxation	-	1,326	463	90	4,312	1,781
No. of ordinary shares ('000)	2,801	159,448	159,448	159,448	159,448	159,448
Net earnings per share (sen)	-	0.8	0.3	0.1	2.7	4.5*

* Annualised

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

6 SUMMARISED INCOME STATEMENTS (CONTD.)**Notes:**

- (1) OSKVI was incorporated on 5 December 2003.
- (2) In the previous financial periods, pre-operating expenses, which are stated at cost were carried forward and written off only upon commencement of business operations.

During the financial year ended 31 December 2000, the Group adopted MASB No.1 - Presentation of Financial Statements for the first time and following the adoption of the new accounting standard, pre-operating expenses carried forward are charged off immediately to the income statement as incurred. This change in accounting policy have been effected retrospectively in the financial statements of the Company and resulted in prior year adjustments.

- (3) In the financial year ended 31 December 2002, OSK Holdings Berhad, the holding company of OSKTV and OSKPEM waived a total amount of RM35,429 and RM265,928 due from OSKTV and OSKPEM respectively. The amount waived was in relation to pre-operating expenses incurred prior to the commencement of the venture capital operations and paid by the holding company on behalf of OSKTV and OSKPEM. The pro forma consolidated financial statements for the period under review have been adjusted to illustrate the effects of the waiver of advances retrospectively.
- (4) The effects of the change in accounting policy and the waiver of liabilities are summarised as follows:

	Year ended 31 December			
	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000
Effects on net profit for the year:				
Net profit before changes in accounting policy and waiver of advances	-	1,326	463	391
Effects of adopting MASB 1	(6)	(6)	(7)	-
Effects of waiver of advances	6	6	7	(301)
Net profit for the year	-	1,326	463	90

- (5) The high effective tax rate of the Group for the financial year ended 31 December 2000 and 2001 is due to the ineligibility for tax deduction of certain expenses. The low effective tax rate for the financial year ended 31 December 2002 and 2003 is attributed to the tax exempt statutory income on all sources of income granted to OSKTV as provided by the Income Tax (Exemption) (No.3) Order 2001.
- (6) There were no extraordinary/exceptional items in the financial periods under review.
- (7) The net earnings per share of the Group is calculated based on profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods under review.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENTS (CONTD.)****6.2 OSKVI**

	5.12.2003 (date of incorporation) to 31.3.2004 RM'000
Revenue	-
Administrative expenses	(1)
Loss from operations	(1)
Finance costs	-
Loss before taxation	(1)
Taxation	-
Net loss after taxation	(1)
No. of ordinary shares	20
Net loss per share (sen)	(150)*

* Annualised

Notes:

(1) OSKVI was incorporated on 5 December 2003.

(2) The administrative expenses comprise of provision for audit fees for the financial period.

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

6 SUMMARISED INCOME STATEMENTS (CONTD.)**6.3 OSKVE**

	18.2.2000	Year ended 31 December			1.1.2004
	to				to
	31.12.2000	2001	2002	2003	31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,360	1,747	2,350	3,283	1,090
Administrative and other operating expenses	(448)	(318)	(534)	(862)	(257)
Profit from operations	1,912	1,429	1,816	2,421	833
Finance costs	-	(776)	(1,748)	(446)	-
Profit before taxation	1,912	653	68	1,975	833
Taxation	(586)	(190)	(47)	(132)	-
Net profit after taxation	1,326	463	21	1,843	833
No. of ordinary shares ('000)	5,000	10,000	10,000	10,000	10,000
Net earnings per share (sen)	30*	5	-	18	33*

* Annualised

Notes:

(1) The effective tax rates for 2000, 2001, and 2002 were higher than the statutory rate due to certain expenses being disallowed for tax purposes. No taxation has been provided for the year ended 31 December 2003 as the Company was granted exemption from income tax on the statutory income on all sources of income as provided by the Income Tax (Exemption) (No.3) Order 2001. The taxation for the year 2003 is in respect of underprovision for taxation in the prior year.

No taxation has been provided for the financial period ended 31 March 2004 as the Company will be applying for exemption from income tax on the statutory income on all sources of income as provided by the Income Tax (Exemption) (No.3) Order 2001.

(2) There were no extraordinary/exceptional items in the financial periods under review.

(3) The net earnings per share is calculated based on profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods under review.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENTS (CONTD.)****6.4 OSKTV**

	← Year ended 31 December →					1.1.2004
	1999	2000	2001	2002	2003	to 31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	101	2,472	955
Other operating income	-	-	-	2	-	-
Administrative expenses	-	-	-	(5)	(41)	(9)
Profit from operations	-	-	-	98	2,431	946
Finance costs	-	-	-	-	-	-
Profit before taxation	-	-	-	98	2,431	946
Taxation	-	-	-	(28)	28	-
Net profit after taxation	-	-	-	70	2,459	946
No. of ordinary shares	2	2	2	150,000	150,000	150,000
Net earnings per share (sen)	-	-	-	47	1,639	2,523*

* Annualised

Notes:

- (1) In the previous financial periods, pre-operating expenses, which were stated at cost are carried forward and written off only upon commencement of business operations.

During the financial year ended 31 December 2000, the Group adopted MASB No.1 - Presentation of Financial Statements for the first time and following the adoption of the new accounting standard, pre-operating expenses carried forward are charged off immediately to the income statement as incurred. This change in accounting policy have been effected retrospectively in the financial statements of the Company and resulted in prior year adjustments.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENTS (CONTD.)**

- (2) In the financial year ended 31 December 2002, OSK Holdings Berhad, the holding company of OSKTV waived the amount of RM35,429 due from OSKTV. The amount waived was in relation to pre-operating administrative expenses incurred prior to the commencement of the venture capital operations and paid by the holding company on behalf of OSKTV. The financial statements for the period under review have been adjusted to illustrate the effects of the waiver of liabilities retrospectively.
- (3) The effect change in accounting policy and the waiver of liabilities is summarised as follows:

	Year ended 31 December			
	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000
Effects on net profit for the year:				
Net profit before change in accounting policy	-	-	-	105
Effects of adopting MASB 1	(3)	(3)	(3)	-
Effects of waiver of liabilities	3	3	3	(35)
Net profit for the year	-	-	-	70

- (4) There were no tax charges for the financial years 1999, 2000 and 2001 due to the operating losses incurred.

The taxation for the financial year 2002 has been reversed out in the financial year 2003. Effectively, no taxation has been provided for the year ended 31 December 2002 and 2003 as the Company was granted exemption from income tax on the statutory income on all sources of income as provided by the Income Tax (Exemption) (No.3) Order 2001.

No taxation has been provided for the financial period ended 31 March 2004 as the Company will be applying for exemption from income tax on the statutory income on all sources of income as provided by the Income Tax (Exemption) (No.3) Order 2001.

- (5) There were no extraordinary/exceptional items in the financial periods under review.
- (6) The net earnings per share is calculated based on profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods under review.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENT (CONTD.)****6.5 OSKPEM**

	← Year ended 31 December →					1.1.2004
	1999	2000	2001	2002	2003	to 31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	-	2	25	4
Other operating income	-	-	-	2	-	-
Administrative expenses	-	-	-	(5)	(9)	(1)
(Loss)/Profit from operation	-	-	-	(1)	16	3
Finance costs	-	-	-	-	-	-
(Loss)/Profit before taxation	-	-	-	(1)	16	3
Taxation	-	-	-	-	(6)	-
Net (loss)/profit after taxation	-	-	-	(1)	10	3
No. of ordinary shares	2	2	2	150,000	150,000	150,000
Net (loss)/earnings per share (sen)	-	-	-	(1)	7	8*

* Annualised

Notes:

- (1) In the previous financial periods, pre-operating expenses, which are stated at cost are carried forward and written off only upon commencement of business operations.

During the financial year ended 31 December 2000, the Group adopted MASB No.1 - Presentation of Financial Statements for the first time and following the adoption of the new accounting standard, pre-operating expenses carried forward are charged off immediately to the income statement as incurred. This change in accounting policy have been effected retrospectively in the financial statements of the Company and resulted in prior year adjustments.

13. ACCOUNTANTS' REPORT (CONT'D)**6 SUMMARISED INCOME STATEMENTS (CONTD.)**

- (2) In the financial year ended 31 December 2002, OSK Holdings Berhad, the holding company of OSKPEM waived the amount of RM265,928 due from OSKPEM. The amount waived was in relation to pre-operating administrative expenses incurred prior to the commencement of the venture capital operations and paid by the holding company on behalf of OSKPEM. The financial statements for the period under review have been adjusted to illustrate the effects of the waiver of liabilities retrospectively.
- (3) The effect change in accounting policy and the waiver of liabilities is summarised as follows:

	Year ended 31 December			
	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000
Effects on net profit for the year:				
Net profit before change in accounting policy	-	-	-	265
Effects of adopting MASB 1	(3)	(3)	(3)	-
Effects of waiver of liabilities	3	3	3	(266)
Net loss for the year	-	-	-	(1)

- (4) There were no tax charge for the financial years 1999, 2000 and 2001 as OSKPEM had no taxable income.

There was no taxation charge for the financial year 2002 and period ended 31 March 2004 as OSKPEM was in a tax loss position.

The effective tax rate for the year ended 31 December 2003 was higher than the statutory rate due to certain expenses being disallowed for tax purposes.

- (5) There were no extraordinary/exceptional items in the financial periods under review.
- (6) The net (loss)/earnings per share is calculated based on profit after taxation to the weighted average number of ordinary shares in issue for the respective financial periods under review.

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

7 SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS

The balance sheets and cash flow statements of the Company and its subsidiary companies are based on the audited financial statements for the relevant periods under review and are summarised as set out below.

7.1 OSKVI**7.1.1 Summarised Balance Sheet**

	31.3.2004 RM'000
CURRENT ASSETS	
Other receivables	409
CURRENT LIABILITIES	
Other payables	410
NET CURRENT LIABILITIES	<u>(1)</u>
REPRESENTED BY:	
Share capital	*
Accumulated loss	<u>(1)</u>
Shareholder's deficit	<u>(1)</u>
Net liabilities per share (sen)	<u>(5,000)</u>
* Represents 20 subscribers' shares of RM0.10 each	

7.1.2 Cash Flow Statement

	5.12.2003 to 31.3.2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Loss before taxation representing operating loss before working capital changes	(1)
Increase in receivables	(409)
Increase in payables	410
Cash flow generated from operations representing net cash flow used in operating activities	<u>-</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>-</u>

13. ACCOUNTANTS' REPORT (CONT'D)**7 SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.2 OSKVE****7.2.1 Summarised Balance Sheets**

	← As at 31 December →				
	2000	2001	2002	2003	31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Plant and equipment	116	96	97	73	78
CURRENT ASSETS					
Other receivables	347	127	2,023	524	466
Investments	8,000	8,000	18,261	17,186	21,905
Tax recoverable	-	-	384	492	552
Cash and bank balances	92,470	43,039	26,969	31,323	19,026
	100,817	51,166	47,637	49,525	41,949
CURRENT LIABILITIES					
Other payables	21	25	46	67	40
Taxation	586	448	-	-	-
	607	473	46	67	40
NET CURRENT ASSETS					
	100,210	50,693	47,591	49,458	41,909
	100,326	50,789	47,688	49,531	41,987
FINANCED BY:					
Share capital	5,000	10,000	10,000	10,000	10,000
Retained profits	1,326	1,789	1,738	3,581	4,414
Shareholder's equity	6,326	11,789	11,738	13,581	14,414
Due to holding company	94,000	39,000	35,950	35,950	27,573
	100,326	50,789	47,688	49,531	41,987
Net tangible assets per share (sen)	127	118	117	136	144

13. ACCOUNTANTS' REPORT (CONT'D)**7 SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.2.2 Cash Flow Statement**

	1.1.2004
	to
	31.3.2004
	RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	833
Adjustments for:	
Depreciation of plant and equipment	6
Gain on disposal of investments	(776)
Interest income	(204)
Operating loss before working capital changes	(141)
Decrease in receivables	58
Decrease in payables	(8,404)
Cash flow generated from operations	(8,487)
Taxes paid	(60)
Interest received	204
Proceeds from disposal of investments	5,057
Purchase of investments	(9,000)
Net cash flow used in operating activities	(12,286)
CASH FLOW FROM INVESTING ACTIVITY	
Purchase of plant and equipment representing net cash flow used in investing activity	(11)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,323
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,026

13. ACCOUNTANTS' REPORT (CONT'D)**7 SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.3 OSKTV****7.3.1 Summarised Balance Sheets**

	← As at 31 December →					
	1999	2000	2001	2002	2003	31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS						
Investments	-	-	-	3,751	4,687	9,408
Tax recoverable	-	-	-	-	23	23
Cash and bank balances	-	2	-	248	1,721	6,247
	-	2	-	3,999	6,431	15,678
CURRENT LIABILITIES						
Other payables	-	2	-	1	3	4
Taxation	-	-	-	28	-	-
	-	2	-	29	3	4
NET CURRENT ASSETS						
	-	-	-	3,970	6,428	15,674
	*	*	*	3,970	6,428	15,674
FINANCED BY:						
Share capital	*	*	*	150	150	150
Retained profits	-	-	-	70	2,528	3,474
Shareholder's equity	*	*	*	220	2,678	3,624
Due to holding company	-	-	-	3,750	3,750	12,050
	*	*	*	3,970	6,428	15,674
Net tangible assets per share (sen)	100	100	100	147	1,785	2,416

* Represents 2 subscribers' shares of RM1 each

13. ACCOUNTANTS' REPORT (CONT'D)**7. SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.3.2 Cash Flow Statement**

	1.1.2004 to 31.3.2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	946
Adjustments for:-	
Gain from disposal of investments	(926)
Interest income	(19)
Operating profit before working capital changes	1
Increase in payables	8,301
Cash generated from operations	8,302
Interest received	19
Purchase of investments	(5,000)
Proceeds from disposals of investments	1,205
Net cash generated from operating activities representing net increase in cash and cash equivalents	4,526
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,721</u>
CASH AND CASH EQUIVALENTS AT AT END OF PERIOD	<u>6,247</u>

13. ACCOUNTANTS' REPORT (CONT'D)**7. SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.4 OSKPEM****7.4.1 Summarised Balance Sheets**

	← As at 31 December →					
	1999	2000	2001	2002	2003	31.3.2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT ASSETS						
Cash and bank balances	*	*	*	150	168	171
CURRENT LIABILITIES						
Other payables	-	-	-	1	4	5
Taxation	-	-	-	-	5	4
	-	-	-	1	9	9
NET CURRENT ASSETS						
	*	*	*	149	159	162
	*	*	*	149	159	162
FINANCED BY:						
Share capital	*	*	*	150	150	150
(Accumulated loss)/ retained profits	-	-	-	(1)	9	12
Shareholder's equity	*	*	*	149	159	162
Net tangible assets per share (sen)	100	100	100	99	106	108

* Represents 2 subscribers' shares of RM1 each

13. ACCOUNTANTS' REPORT (CONT'D)**7. SUMMARISED BALANCE SHEETS AND CASH FLOW STATEMENTS (CONTD.)****7.4.2 Cash Flow Statement**

	1.1.2004
	to
	31.3.2004
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3
Adjustments for:-	
Interest income	(1)
Operating profit before working capital changes	2
Increase in payables	1
Cash generated from operations	3
Interest received	1
Taxes paid	(1)
Net cash generated from operating activities representing net increase in cash and cash equivalents	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>168</u>
CASH AND CASH EQUIVALENTS AT AT END OF PERIOD	<u>171</u>

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

8 PRO FORMA GROUP STATEMENT OF ASSETS AND LIABILITIES

The pro forma group statement of assets and liabilities of OSKVI Group which have been prepared for illustrative purposes only, to show the effects of acquisition of subsidiaries subsequent to 31 March 2004 and should be read in conjunction with the notes thereon:

	Note	Company As at 31 March 2004 RM'000	Pro Forma Group as at 31 March 2004 RM'000
NON CURRENT ASSETS			
Plant and equipment	10.2	-	78
CURRENT ASSETS			
Investments	10.3	-	31,313
Other receivables	10.4	409	476
Tax recoverable		-	571
Cash and bank balances	10.5	-	25,444
		409	57,804
CURRENT LIABILITIES			
Other payables	10.6	410	59
NET CURRENT (LIABILITIES)/ASSETS		(1)	57,745
		(1)	57,823
REPRESENTED BY:			
Share capital	10.7	*	15,945
(Accumulated loss)/retained profits		(1)	2,255
Shareholders' (deficit)/equity		(1)	18,200
Due to holding company	10.8	-	39,623
		(1)	57,823
Net (liabilities)/tangible assets per share (sen)		(5)	11

* Represents 20 subscribers' share of RM0.10 each

13. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

9 CASH FLOW STATEMENTS FOR THE COMPANY AND GROUP PRO FORMA FOR THE YEAR ENDED 31 DECEMBER 2003

The pro forma consolidated cash flow statement for OSKVI Group for the period ended 31 March 2004 set out below has been prepared for illustrative purposes only on the assumption that the acquisition scheme as mentioned in Section 2.2 of this Report has been effected on 31 March 2004.

	Company RM'000	Pro forma Group RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(1)	1,781
Adjustments for:		
Depreciation of plant and equipment	-	6
Gain on disposal of investments	-	(1,702)
Interest income	-	(224)
Operating profit before working capital changes	(1)	(139)
(Increase)/Decrease in receivables	(409)	48
Increase/(Decrease) in payables	410	(91)
Cash flow used in operations	-	(182)
Taxes paid	-	(61)
Interest received	-	224
Proceeds from disposal of investments	-	6,262
Purchase of investments	-	(14,000)
Net cash flow used in operating activities	-	(7,757)
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of plant and equipment representing net cash flow used in investing activity	-	(11)
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(7,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	33,212
CASH AND CASH EQUIVALENTS AT END OF PERIOD	-	25,444



10 NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

10.1 SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial statements of the Group and Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with applicable Approved Accounting Standards in Malaysia.

b. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the merger method of accounting. Under the merger method of accounting, the difference between the value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit which are applied against the retained profits.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

c. Plant and Equipment and Depreciation

Plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 10.1(i).

Depreciation of plant and equipment are provided on a straight line basis to write off the cost of each assets to their residual value over the estimated useful life at the following annual rates:

Furniture and fittings	10%
Motor vehicles	15%
Office equipment	15%

Upon the disposal of an item of plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

13. ACCOUNTANTS' REPORT (CONT'D)**10.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****d. Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value.

e. Provision for Liabilities

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

f. Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

**10.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****g. Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Fee income

Revenue from fee income are recognised upon performance of services.

(ii) Sale of investment

Realised gain or loss on sale of investment is measured as the difference between the net disposal proceeds and the carrying amount of the investment.

(iii) Dividend income

Dividend income from investments is recognised on a cash basis.

(iv) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

h. Investments

Investments consist of quoted and unquoted investments in investee companies. These investments are not deemed to be associated or subsidiary companies because the investments were acquired with the objective of achieving capital appreciation through the subsequent disposal of the investments.

Investments are stated at cost less diminution in value, if any. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

i. Impairment of Assets

At each balance sheet date, the Group and the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

13. ACCOUNTANTS' REPORT (CONT'D)**10.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****i. Impairment of Assets (Contd.)**

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased.

j. Employee Benefits**(i) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year 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.

k. Financial Instruments

Financial instruments are recognised in the balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

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 classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

13. ACCOUNTANTS' REPORT (CONT'D)**10.1 SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****k. Financial Instruments (Contd.)****(ii) Payables**

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

(iii) Interest-Bearing Borrowings

Interest-bearing loans from holding company are recorded at the amount of proceeds received, net of transaction costs. All other borrowing costs are recognised as an expense in the income statement as an expense in the period in which they are incurred.

(iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

10.2 PLANT AND EQUIPMENT**Pro Forma Group**

	Furniture and fittings RM'000	Motor vehicle RM'000	Office equipment RM'000	Total RM'000
At cost				
At 1 January 2004	-	-	-	-
Arising from acquisition of subsidiaries	8	110	52	170
At 31 March 2004	8	110	52	170
Accumulated Depreciation				
At 1 January 2004	-	-	-	-
Arising from acquisition of subsidiaries	2	70	20	92
At 31 March 2004	2	70	20	92
Net Book Value				
At 31 March 2004	6	40	32	78

13. ACCOUNTANTS' REPORT (CONT'D)**10.3 INVESTMENTS**

	Pro Forma Group RM'000
At cost:	
Quoted shares	9,153
Unquoted shares	<u>22,160</u>
	<u>31,313</u>
At market value:	
Quoted shares	<u>16,578</u>

This investment is not deemed to be associated or subsidiary company because the investment was acquired with the objective of achieving capital appreciation through the subsequent disposal of the investment.

10.4 OTHER RECEIVABLES

	Pro Forma Group RM'000
Deposits	20
Prepayments	2
Sundry receivables	<u>454</u>
	<u>476</u>

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

13. ACCOUNTANTS' REPORT (CONT'D)**10.5 CASH AND CASH EQUIVALENTS**

	Pro Forma Group RM'000
Cash on hand and at bank	94
Deposits with:	
-Licensed banks	25,350
	<u>25,444</u>

The interest rates of deposits at the balance sheet date was 2.9% per annum and the maturity date as at the end of the financial year was 3 days.

10.6 OTHER PAYABLES

	Pro Forma Group RM'000
Sundry payables	2
Accruals	57
	<u>59</u>

10.7 SHARE CAPITAL

	Pro Forma Group/ Company RM'000
Ordinary shares of RM0.10 each	
Authorised:	
At beginning of period	100
Increased during the period	499,900
At end of period	<u>500,000</u>
Issued and fully paid:	
At beginning of period	*
Shares issued as consideration for the acquisitions of OSKVE, OSKTV and OSKPEM	15,945
At end of period	<u>15,945</u>

* Represents 20 subscribers' shares of RM0.10 each

13. ACCOUNTANTS' REPORT (CONT'D)**10.8 DUE TO HOLDING COMPANY**

The amount due to holding company, OSK Holdings Berhad is unsecured, interest-free, have no fixed terms of repayment and not expected to be repaid within the next twelve months.

10.9 FINANCIAL INSTRUMENTS**(a) Financial Risk Management Objective and Policy**

The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its interest rate, liquidity and credit risks. The Group and the Company operates within clearly defined guidelines that are approved by the Board.

(b) Interest Rate Risk

The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or, in short term money market placement.

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

(c) Liquidity Risk

The Group and the Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash to meet its working capital requirements.

(d) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group and Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

13. ACCOUNTANTS' REPORT (CONT'D)**10.9 FINANCIAL INSTRUMENTS (CONTD.)****(e) Fair Value**

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Group as at 31 March 2004 are represented as follows:

	Notes	Carrying Amount RM'000	Fair Value RM'000
Financial Assets			
At 31 March 2004:			
Investment in quoted shares	10.3	9,153	16,578
Investment in unquoted shares	10.3	22,160	**
Financial Liabilities			
At 31 March 2004:			
Due to holding company	10.8	39,623	*

* It is not practical to estimate the fair value of amounts due to/from holding company and an investee company due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

** It is also not practical to estimate the fair value of the Group's investment in unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amounts of cash and cash equivalents and receivables/payables approximate their fair values due to the relatively short term maturity of these financial instruments.

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

13. ACCOUNTANTS' REPORT (CONT'D)**11 ESTIMATED EXPENSES RELATING TO FLOATATION**

Estimated listing expenses of RM5,500,000 relating to the Share Issue and Public Issue have been set off against Share Premium.

12 PUBLIC ISSUE PROCEEDS

The net cash proceeds of RM170,000,000 (after deducting estimated listing expenses of RM5,500,000) to be received from the Public Issue will be utilised as working capital, investment and incubation activities.

13 PRO FORMA NET TANGIBLE ASSETS COVER

Based on the Pro Forma Statement of Assets and Liabilities of the Group as at 31 March 2004, the pro forma net tangible assets and enlarged share capital are derived as follows:

(a) Net Tangible Assets

	RM'000
Net tangible assets of the Pro forma Group as at 31 March 2004	18,200
Net increase of amount payable to OSK Holdings Berhad from 31 March 2004 to 31 May 2004	(77)
Share issued to OSK Holdings Berhad	67,200
Public Issue	175,500
Estimated expenses	<u>(5,500)</u>
	<u>255,323</u>

(b) Share Capital

	No. of ordinary shares of RM0.10 each '000
Enlarged issued and paid-up share capital on completion of the Listing Scheme	<u>1,500,000</u>

(c) Net Tangible Assets Cover

	Sen
Net tangible assets per ordinary shares of RM0.10 each on completion of the Listing Scheme	<u>17</u>

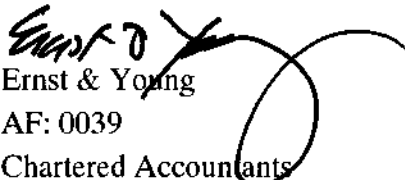
13. ACCOUNTANTS' REPORT (CONT'D)

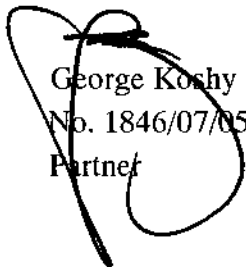


14 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 March 2004.

Yours faithfully


Ernst & Young
AF: 0039
Chartered Accountants


George Koshy
No. 1846/07/05(J)
Partner

**14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004,
TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING
ACCOUNTANTS' LETTER THEREON**



AF: 0039

■ Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

■ Phone : (03) 2087-7000
Fax : (03) 2095-5332
(General Line)
(03) 2095-9076
(03) 2095-9078
www.ey.com/my

Mail Address:
P.O. Box 11040
50734 Kuala Lumpur, Malaysia

**Reporting Accountants' Letter on Pro Forma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)**

30 July 2004

The Board of Directors
OSK VENTURES INTERNATIONAL BERHAD
15th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

Dear Sirs

**OSK VENTURES INTERNATIONAL BERHAD – PRO FORMA CONSOLIDATED
BALANCE SHEETS AS AT 31 MARCH 2004**

We report on the pro forma consolidated balance sheets which have been prepared for illustrative purposes only, to provide information about how the consolidated balance sheet of OSK Ventures International Berhad ("OSKVI" or "the Company") as at 31 March 2004 that has been presented might have been affected by the following transactions had the transactions been completed on that date:

- (a) Acquisition of the following:
- the entire issued and paid-up capital of OSK Venture Equities Sdn. Bhd. comprising 10,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM13,144,032 to be satisfied wholly by the issuance of 131,440,320 new ordinary shares of RM0.10 each in OSKVI;
 - the entire issued and paid-up capital of OSK Technology Ventures Sdn. Bhd. comprising 150,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,637,864 to be satisfied wholly by the issuance of 26,378,640 new ordinary shares of RM0.10 each in OSKVI; and
 - the entire issued and paid-up capital of OSK Private Equity Management Sdn. Bhd. comprising 150,000 ordinary shares of RM1.00 for a purchase consideration of RM162,903 to be satisfied wholly by the issuance of 1,629,030 new ordinary shares of RM0.10 each in OSKVI.
- (b) Issuance of 665,551,990 new ordinary shares of RM0.10 each to its holding company, OSK Holdings Berhad via the capitalisation of intercompany balance amounting to RM39,700,000 and for cash amounting to RM27,500,000; and

14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004, TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



AF: 0039

- (c) Proposed Initial Public Offering of 675,000,000 new ordinary shares of RM0.10 per share at the issue price of RM0.26 per share and the proposed listing of and quotation for the entire issued and paid-up capital of OSKVI on the Malaysian Exchange of Securities Dealing and Automated Quotation Berhad Market of the Bursa Malaysia Securities Berhad had the proposals been completed on that date.

It is the responsibility solely of the directors of OSKVI to prepare the pro forma consolidated balance sheets in accordance with the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

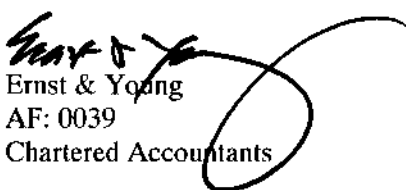
It is our responsibility to form an opinion, as required by the Guidelines and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the pro forma consolidated balance sheets with the responsible officers of OSKVI. Our work involved no independent examination of any of the underlying financial information.

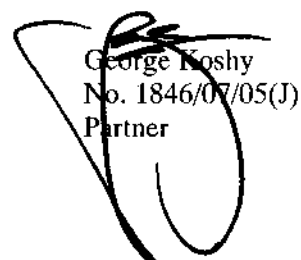
In our opinion:

- (a) the pro forma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the transactions:
- (i) such bases are consistent with the accounting policies of OSKVI; and
- (ii) the adjustments set out are appropriate for the purposes of the pro forma consolidated balance sheets pursuant to the Guidelines.

The accompanying pro forma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned proposals. This letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully


Ernst & Young
AF: 0039
Chartered Accountants


George Koshy
No. 1846/07/05(J)
Partner

14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004, TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

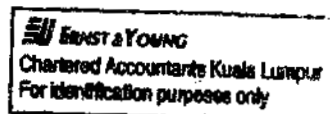
APPENDIX
Page 1 of 4

OSK VENTURES INTERNATIONAL BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2004

	Audited	Adjustment	Pro forma	Adjustment	Pro forma	Adjustment	Pro forma
	As at 31.3.04 RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
NON CURRENT ASSETS							
Plant and equipment	-	78	78		78		78
	-		78		78		78
CURRENT ASSETS							
Investments	-	31,313	31,313		31,313		31,313
Other receivables	409	67	476		476	(409)	67
Tax recoverable	-	571	571		571		571
Cash and bank balances	-	25,444	25,444	27,500	52,944	170,399	223,343
	409		57,804		85,304		255,294
CURRENT LIABILITIES							
Other payables	410	(351)	59		59	(10)	49
NET CURRENT (LIABILITIES)/ASSETS	(1)		57,745		85,245		255,245
	(1)		57,823		85,323		255,323
FINANCED BY:							
Share capital	*	15,945	15,945	66,555	82,500	67,500	150,000
Share premium	-	-	-	645	645	102,500	103,145
Reserves	(1)	2,179	2,178		2,178		2,178
Shareholders' equity	(1)		18,123		85,323		255,323
Due to holding company	-	39,700	39,700	-39,700	-		-
	(1)		57,823		85,323		255,323
Net (liabilities)/tangible assets	(1)		18,123		85,323		255,323
Net (liabilities)/tangible assets per share (sen)	(5,000)		11		10		17

* Represents 20 subscribers' shares of RM0.10 each

14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004, TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



APPENDIX
Page 2 of 4

OSK VENTURES INTERNATIONAL BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2004

1. Basis of preparation

The pro forma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the balance sheet as at 31 March 2004 of the transactions as stated in Notes 2 to 4 below had the transactions been implemented and completed on that date and by application of the accounting policies of OSK Ventures International Berhad ("OSKVI"). The pro forma consolidated balance sheets has been prepared based on the following financial statements:

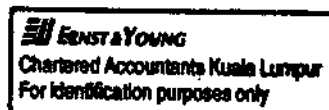
- The audited financial statements of OSKVI as at 31 March 2004;
- The audited financial statements of OSK Technology Ventures Sdn. Bhd. and OSK Private Equity Management Sdn. Bhd. as at 31 March 2004; and
- The audited financial statements of OSK Venture Equities Sdn. Bhd. as at 31 March 2004 with adjustment of RM76,900 to increase the amount due to the holding company, OSK Holdings Berhad as at 31 May 2004.

2. Adjustment column I

Adjustment column I reflects the proposed acquisitions of the entire issued and paid-up capital of the following companies at their net tangible assets (NTA) value as at 30 September 2003 via the issuance of new ordinary shares of RM0.10 each in OSKVI as follows:

	NTA RM'000	Share issued at RM0.10 each '000
OSK Venture Equities Sdn. Bhd.	13,144	131,440
OSK Technology Ventures Sdn. Bhd.	2,638	26,380
OSK Private Equity Management Sdn. Bhd.	163	1,630
	<u>15,945</u>	<u>159,450</u>
("Acquisitions")		

**14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004,
TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING
ACCOUNTANTS' LETTER THEREON (CONT'D)**



APPENDIX
Page 3 of 4

OSK VENTURES INTERNATIONAL BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2004 (CONTD.)

2. Adjustment column I (Contd.)

The Acquisitions are accounted for under the merger accounting principles. Under the merger method, the difference between the value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The merger deficit arising from the Acquisitions is applied against the retained profits and has been arrived at based on the following:

	Number of ordinary shares of RM1 each acquired '000	RM'000
OSK Venture Equities Sdn. Bhd.	10,000	10,000
OSK Technology Ventures Sdn. Bhd.	150	150
OSK Private Equity Management Sdn. Bhd.	150	150
		<u>10,300</u>
159,447,990 new ordinary shares of RM0.10 each in OSKVI issued as purchase consideration		<u>15,945</u>
Merger deficit, applied against retained profits		<u>(5,645)</u>

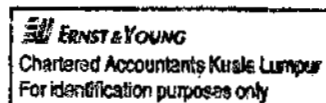
The acquisitions were completed on 8 July 2004.

3. Adjustment column II

Adjustment column II reflects the issuance of 665,551,990 new ordinary shares of RM0.10 each in OSKVI for a total consideration of RM67,200,000 or RM0.101 per share to OSK Holdings Berhad via the capitalisation of debts due to OSK Holdings Berhad of RM39,700,000 as at 31 May 2004 and for cash amounting to RM27,500,000 ("Share Issue").

The Share Issue was completed on 8 July 2004.

**14. PROFORMA CONSOLIDATED BALANCE SHEETS OF OSKVI AS AT 31 MARCH 2004,
TOGETHER WITH THE BASES AND ASSUMPTIONS AND THE REPORTING
ACCOUNTANTS' LETTER THEREON (CONT'D)**



**APPENDIX
Page 4 of 4**

**OSK VENTURES INTERNATIONAL BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2004 (CONTD.)**

4. Adjustment column III

The proposed Initial Public Offering ("IPO") of 675,000,000 new shares at RM0.10 per share at RM0.26 per share. Estimated share issue expenses amounting to RM5,500,000 will be set-off against the share premium arising from the issue of new shares.

5. Effects on Share Capital, Share Premium and Retained Profits

The effects of the above transactions on the Share Capital, Share Premium and Accumulated Losses are summarised as follows:

	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000
As at 31 March 2004	*	-	(1)
Acquisitions	15,945	-	7,824
- Merger deficit arising from the Acquisitions	-	-	(5,645)
As per Pro forma I	15,945	-	2,178
Share Issue	66,555	645	-
As per Pro forma II	82,500	645	2,178
Proposed IPO	67,500	108,000	-
Share issue expenses	-	(5,500)	-
As per Pro forma III	150,000	103,145	2,178

* Represents 20 subscribers' shares of RM0.10 each