

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 31st December, 2000.

CORPORATE REORGANISATION

The Company was incorporated in Bermuda on 8th August, 1997 as an exempted company under the Companies Act 1981 of Bermuda (as amended) (“Companies Act”).

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 15th August, 2000.

Details of the reorganisation are set out in note 1 to the financial statements.

The shares of the Company were listed on the Stock Exchange with effect from 28th September, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of financial services including stockbroking, margin financing, futures and options trading, corporate finance, research and asset management.

SUBSIDIARIES

Particulars of the Company’s subsidiaries are set out in note 12 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 22.

The Directors declared an interim dividend of HK\$0.025 per share amounting to HK\$15,000,000 during the year. The Directors recommend the payment of a special final dividend of HK\$0.015 per share amounting to HK\$9,000,000 to shareholders whose names appear on the register of members on 20th April, 2000.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

Under the Companies Act, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

RESERVES (continued)

- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The distributable reserves of the Company calculated in accordance with the Companies Act were as follows:

	<i>HK\$'000</i>
Contributed surplus	214,938
Deficit	<u>(366)</u>
	<u>214,572</u>

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, less than 30% of the Group's sales and purchases were attributable to the Group's five largest customers and suppliers.

GROUP FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the four financial years ended 31st December, 2000 is set out on page 50.

PROPERTY AND EQUIPMENT

During the year, the Group spent HK\$6.7 million and HK\$3.8 million on leasehold improvements and office equipment respectively.

Details of these and other movements in property and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year are set out in notes 20 and 21 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were as follows:

Executive Directors

Teoh Eng Chooi (*Vice Chairman*)

Hui Chiu Chung (*Managing Director*)

Chia Bee Yong (appointed on 1st August, 2000)

Non-executive Directors

Ong Leong Huat (*Chairman*) (appointed on 1st August, 2000)

Wong Chong Kim (appointed on 1st August, 2000)

Gan Neap Kai (appointed on 1st August, 2000)

Independent non-executive Directors

Heng Kwoo Seng (appointed on 1st August, 2000)

Hui King Wai (appointed on 1st August, 2000)

In accordance with Article 99 of the Company's Bye-laws, Mr. Teoh Eng Chooi retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with Article 102(B) of the Company's Bye-laws, all the Directors appointed during the year, namely Ms. Chia Bee Yong and Messrs. Ong Leong Huat, Wong Chong Kim, Gan Neap Kai, Heng Kwoo Seng and Hui King Wai retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-laws, the term of office for each non-executive Director, except for the Chairman, Mr. Ong Leong Huat, is the period up to his retirement by rotation at every annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Teoh Eng Chooi, aged 59, is the Executive Vice Chairman of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Teoh graduated from the University of Malaya, Kuala Lumpur with a Bachelor of Arts (Honours) degree in Economics. Mr. Teoh has about 26 years of experience in the banking and finance industry in New York and several Asian countries and has held senior positions in an international and a local bank in Malaysia as well as with regional financial groups. Mr. Teoh joined the Group in February 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Hui Chiu Chung, aged 53, is the Managing Director of the Group and is in charge of the day-to-day management of the Group and the execution and further development of the Group's expansion plan. Mr. Hui has over 30 years of experience in the securities industry. Mr. Hui served as a member and vice chairman of the Council of the Stock Exchange for a number of years and also served as a director of Hong Kong Securities Clearing Company Limited. Mr. Hui is currently a member of the Advisory Committee of the Securities and Futures Committee and a committee member of the Hong Kong Stockbrokers Association. Mr. Hui also serves as a non-executive director of several listed companies in Hong Kong. Mr. Hui joined the Group in May 1996.

Chia Bee Yong, aged 39, is an Executive Director and a Dealing Director of OSK Asia Securities Limited. Ms. Chia is responsible for the management of the Group's back office operations. Ms. Chia graduated from the National University of Singapore with a Bachelor of Science degree. Ms. Chia joined the Group in July 1997 and has about 15 years of experience both in the back office as well as in dealing operations in the securities industry.

Non-executive Directors

Ong Leong Huat (alias **Wong Joo Hwa**), aged 56, is the Non-executive Chairman of the Group. Mr. Ong is also the Group managing director and chief executive officer of OSK Holdings Berhad (formerly known as O.S.K. Holdings Berhad) ("OSK Malaysia"). Mr. Ong was appointed a director of OSK Malaysia in November 1990 and has been the chief executive officer of OSK Securities Berhad (formerly known as O.S.K. Securities Berhad) a wholly-owned subsidiary of OSK Malaysia, since July 1985. Prior to joining the Group, he had worked for a leading financial institution in Malaysia for about 18 years and had held the position of senior general manager. He was appointed a Director of OSK Asia Holdings Limited in May 1995 and subsequently the chairman of OSK Asia Holdings Limited in June 1996.

Wong Chong Kim, aged 44, a brother of Mr. Ong Leong Huat, is a Non-executive Director and an executive director of OSK Malaysia. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and was appointed a Director of OSK Malaysia in November 1990. He joined OSK Securities Berhad as a finance manager in 1985 and became a director thereof in April 1989. Currently, he oversees the administrative, financial and operational functions of OSK Securities Berhad. Prior to joining OSK Malaysia and its subsidiaries ("OSK Malaysia Group"), he was the accountant and assistant credit manager of a leading financial institution in Malaysia from 1983 to 1985. He joined the Group in May 1995.

Gan Neap Kai, aged 51, is a Non-executive Director and an executive director of OSK Malaysia. Mr. Gan is a fellow member of the Institute of Chartered Accountants in England and Wales. Prior to joining the OSK Malaysia Group in April 1994, he had worked for over 21 years in various financial institutions and international firms in Malaysia, Singapore and Indonesia. He joined the Group in May 1995 as an alternate Director to Mr. Ong Leong Huat and was subsequently appointed a Director of OSK Asia Holdings Limited in June 1996.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive Directors

Heng Kwoo Seng, aged 53, is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Society of Accountants. Currently, he is a senior partner of a firm of certified public accountants and also serves as a non-executive director or company secretary of several listed companies in Hong Kong. Mr. Heng has over 23 years of experience in the field of auditing, finance and accounting.

Hui King Wai, aged 50, is a solicitor practising in Hong Kong. He graduated from South Bank University, London with a Bachelor of Arts degree in Law. He was admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor of the Supreme Court of Hong Kong in 1981 and 1982 respectively. Mr. Hui was recently elected to be the honorary vice-president of The Hong Kong Football Association Limited and is also a director of other listed companies.

AUDIT COMMITTEE

The Company has established an Audit Committee consisting Mr. Heng Kwoo Seng and Mr. Hui King Wai, the two independent non-executive directors of the Company on 28th September 2000. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group.

SENIOR MANAGEMENT

Lee Kwok Ning, Lobo, aged 40, is the Managing Director of OSK Asia Futures Limited and is responsible for the development of futures and other derivative business of the Group. Mr. Lee graduated from the State University of New York with a Master of Science degree in Computer Science and has about 15 years of experience in the investment banking and finance industry. Mr. Lee has held senior positions in an international investment bank as well as regional financial institutions in Hong Kong. Mr. Lee had previously served on the boards of directors of the Hongkong Futures Exchange Limited (“HKFE”) and the Hong Kong Futures and Clearing Corporation Limited. He joined the Group in September 1999.

Tsang Siu Hung, Simon, aged 35, is a Dealing Director of OSK Asia Futures Limited and is responsible for the management of the Group’s futures broking business. Mr. Tsang has about 15 years of working experience in the securities and futures industry. He joined the Group in May 1993.

Au Kim Fung, aged 41, is a Dealing Director of OSK Asia Securities Limited and is responsible for the supervision of the securities dealing team of the Group. Mr. Au has about 16 years of securities dealing experience in the stockbroking industry. He joined the Group in May 1996.

Lau Mi Yi, Fiona, aged 44, is an Executive Director of OSK Asia Capital Limited and is responsible for the corporate finance activities of the Group. She holds a Master of Business Administration degree from the University of Wales. Ms. Lau is also a fellow of The Association of Chartered Certified Accountants and an associate of the Hong Kong Society of Accountants. She possesses over 18 years of experience in taxation and corporate finance. She joined the Group in May 2000.

SENIOR MANAGEMENT (continued)

Charles L. Schmitt, aged 55, is an Executive Director of OSK Asia Asset Management Limited and is responsible for the development and management of the Group's asset management business. Mr. Schmitt holds a Master of Business Administration degree from New York University. Mr. Schmitt has many years of experience in investment and fund management and is registered as an investment adviser under the Securities Ordinance. He joined the Group in September 1999.

Wong Kwok Ying, aged 32, is the Research Director of OSK Asia Research Limited and is responsible for supervising the research team of the Group. He graduated from the University of Hong Kong with a Bachelor of Social Science degree in Economics. Mr. Wong has about 10 years of experience in the research field and appears regularly on television and in newspapers as a financial commentator. He joined the Group in October 1997.

Wong Kwing Kwan, aged 49, is an Assistant Director of the Group overseeing the operations of the Group's stockbroking branches. Mr. Wong has about 8 years of experience in the securities broking industry as well as about 22 years of experience in the banking industry. He joined the Group in June 1999.

Chin Wai Yung, Clarice, aged 28, is the Internal Auditor of the Group and is responsible for the internal audit functions of the Group. She graduated with a Bachelor degree in Business Administration (Professional Accountancy) from the Chinese University of Hong Kong and is currently a member of the American Institute of Certified Public Accountant and the associate member of the Hong Kong Society of Accountants. Prior to joining the Group, Ms. Chin had over 6 years of experience in the field of financial and operational audits in one of the leading certified public accounting firm and listed companies in Hong Kong. Ms. Chin joined the Group in January 2001.

Lau Wai Men, Winnie, aged 34, is the Assistant Company Secretary of the Group supervising the Company Secretarial Department as well as the Personnel & Administration functions of the Group. Ms. Lau possesses a Bachelor of Arts (Honours) degree in Accountancy and a Master of Business Administration degree. She is also an associate member of the Institute of Chartered Secretaries & Administrators and The Hong Kong Institute of Company Secretaries. She has more than 10 years experience in the company secretarial field. Prior to joining the Group, she had been working in one of the leading certified public accounting firm for over 3 years and in legal firms for more than 6 years. Ms. Lau joined the Group in October 2000.

Wong See Wei, Joyce, aged 32, is the Compliance Manager of the Group. Ms. Wong graduated from the University of Technology, Sydney with a Bachelor of Business degree in Accounting. She is an associate member of the Australian Society of Certified Practising Accountants. Ms. Wong joined the Group in May 1999 and has about 7 years of experience in the compliance field.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and those of the five highest paid individuals in the Group are set out in note 10 to the financial statements.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Teoh Eng Chooi, Ms. Chia Bee Yong and the consultancy company associated with Mr. Hui Chiu Chung (the "Consultancy Company"), has entered into a service agreement dated 15th August, 2000 with the Company. The service agreements cover an initial term of three years commencing on 15th August, 2000 unless terminated by not less than six month's written notice served by either party or payment in lieu of such notice to the other party. The service agreements provide for the terms of compensation arrangement for each of the Directors.

Save as disclosed above, no other Directors have service contracts with the Company which are not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(i) Shares

As at 31st December, 2000, the interests of the Directors in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") were as follows:

	Number of shares		
	Personal interest	Corporate interest	Total
Teoh Eng Chooi	2,005,000	29,728,037 <i>(Note a)</i>	31,733,037
Hui Chiu Chung	—	7,591,980 <i>(Note b)</i>	7,591,980
Ong Leong Huat	3,690,000	—	3,690,000

Notes:

- (a) This corporate interest is held by Intravest Capital Limited, a company wholly owned by Mr. Teoh Eng Chooi.
- (b) This corporate interest is held by Rudolph Development Limited, a company wholly owned by Mr. Hui Chiu Chung and his wife.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

(ii) Options

The Directors have personal interests in share options to subscribe for shares in the Company as follows:

Name of directors	Exercise price HK\$	Exercisable period	Number of share options granted on 15th August, 2000 and outstanding at 31st December, 2000
Teoh Eng Chooi	0.50	15.8.2000-31.12.2002	5,625,000
Hui Chiu Chung	0.48	15.8.2000-31.5.2002	15,000,000
Chia Bee Yong	0.50	15.8.2000-31.12.2002	1,875,000
Ong Leong Huat	0.50	15.8.2000-31.12.2002	1,875,000
Wong Chong Kim	0.50	15.8.2000-31.12.2002	1,875,000
Gan Neap Kai	0.50	15.8.2000-31.12.2002	1,875,000

Details of the Company's share option scheme are set out in note 21 to the financial statements.

Save as disclosed above, none of the Directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its ultimate holding company, its fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the service agreements as mentioned above, no other contracts of significance to which the Company, its ultimate holding company, its fellow subsidiaries or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of substantial shareholders required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Type of interest	Number of shares	Percentage of voting power
OSK Holdings Berhad	Corporate	319,443,618 <i>(Note 1)</i>	53.24%
Ocean Information (BVI) Limited	Corporate	84,650,572	14.11%
Capital Strategic Investment Limited		<i>(Note 2)</i>	14.11%

Notes:

1. Mr. Ong Leong Huat, a Director, and his family hold about 23.3% of the issued share capital of OSK Holdings Berhad. Mr. Ong holds effectively about 12.4% of the voting power of the Company.
2. Capital Strategic Investment Limited, formerly known as DCP Holdings Limited, through Ocean Information (BVI) Limited, its wholly-owned subsidiary, holds effectively about 14.11% of the voting power of the Company.

Save as disclosed above, the Directors are not aware of any person being interested in at least 10% of the total issued share capital of the Company as at 31st December, 2000 as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DONATION

During the year, the Group made charitable donation amounting to HK\$1,000,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 31st December, 2000, the Group has no outstanding bank loans, overdrafts or other borrowings.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 33 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied in the period between its listing date and 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By order of the Board

Teoh Eng Chooi

Executive Vice Chairman

23rd February, 2001