

I would like to present to the shareholders the second annual report of OSK Asia Corporation Limited (the "Company") for the year ended 31st December, 2001.

BUSINESS REVIEW



Year 2001 has been a difficult year for the international financial markets as the global economy experienced its worst recession in many years. The global economic slowdown, which was further aggravated by the horrible events of 11th September, 2001 in the United States of America ("USA") had a directly adverse impact on the Hong Kong economy as well as the performance of the local equity markets. During the year, total market turnover on The Stock Exchange of Hong Kong

Limited (the "Stock Exchange") declined by about 36%, from approximately HK\$3,132 billion in Year 2000 to approximately HK\$1,990 billion. The Hang Seng Index ("HSI") closed for the year at 11,397, down by about 24 % from the previous year closing of 15,095.

The depressed investment climate adversely affected the business of the Company and its subsidiaries (the "Group"). For Year 2001, the Group recorded a loss of approximately HK\$46.7 million based on a 49.4% decrease in turnover from approximately HK\$117.2 million in Year 2000 to approximately HK\$59.3 million in the current financial year. The loss included a special provision of approximately HK\$27.1 million for impairment loss in value of investment in respect of the Group's investment in I.T.&e Limited ("IT&e"), a company listed on the Australian Stock Exchange Limited. The bursting of the bubble of technology related stocks has depressed IT&e's share price and the company subsequently was experiencing business problems. It has since successfully restructured its management and businesses. The board of Directors (the "Board"), however, has decided to restate the investment at its fair market value with reference to the price of a recent placement of new shares issued by IT&e and made the special provision mentioned earlier.

Given the difficult business environment, the Group has implemented strict measures during Year 2001 which reduced overall operating costs by about 27.0% and net provision for doubtful debts by about 73.2% or approximately HK\$6 million. After careful review of its human resources, the Group has in January 2002, implemented various programs which will enhance the operational efficiency and further reduce salary cost of the Group in Year 2002.

The Board does not recommend the payment of a dividend for the year ended 31st December, 2001.

FUTURE PLANS AND PROSPECTS

The Group believes that building an online trading platform as an integral part of its trading infrastructure is important and necessary in order to expand its market reach both locally and regionally. We have successfully launched our internet share trading service in December 2001 and will proceed to install an electronic system for trading HSI futures with internet trading capability in early 2002. The Group will also continue with its expansion plan to selectively open new branches at strategic locations to add strength to its existing network of four branches. We will also continue to cooperate closely with Luk Fook Securities Limited ("Luk Fook") in jointly developing the securities business through Luk Fook branches located in Mongkok and North Point. To strengthen our capabilities to service corporate and institutional clientele, the Group will also recruit experienced senior personnel for our futures, asset management and corporate finance businesses.

Year 2002 will continue to be a challenging year. However, with the anticipated recovery in global economy, especially in the USA, the financial markets in Hong Kong are expected to improve. With our financial strength and improving infrastructure, we are optimistic that we will be able to exploit to our advantage opportunities offered by any upswing in the markets.

The future success of the Group will undoubtedly continue to rely on the support from our shareholders, valued clients as well as the dedication and hard-work from my fellow directors and employees, to whom, on behalf of the Board, I record my sincere appreciation.

The Board wishes to record its gratitude to Miss Chia Bee Yong, Executive Director, who is resigning from the Board on 20th March, 2002 to pursue other interests. The Board extends her its best wishes on her future undertakings.

Ong Leong Huat

Chairman

Hong Kong, 22nd February, 2002