

The Directors would like to present their report together with the audited financial statements of OSK Asia Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 21.

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

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

Under the Companies Act 1981 of Bermuda (as amended) ("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
- (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.

At 31st December, 2001, the distributable reserves of the Company calculated in accordance with the Companies Act were as follows:

	<i>HK\$'000</i>
Contributed surplus	214,938
Accumulated losses	(59,273)
	<hr/>
	155,665
	<hr/> <hr/>

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, 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 five financial years ended 31st December, 2001 is set out on page 51.

PROPERTY AND EQUIPMENT

During the year, the Group spent approximately HK\$1.4 million and HK\$1 million on leasehold improvements and office equipment respectively.

Details of these and other movements during the year in the property and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in notes 22 and 23 to the financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS

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

Executive Directors

Teoh Eng Chooi (*Vice Chairman*)

Hui Chiu Chung (*Group Managing Director*)

Chia Bee Yong

Non-executive Directors

Ong Leong Huat @ Wong Joo Hwa (*Chairman*)

Wong Chong Kim

Gan Neap Kai

Independent Non-executive Directors

Heng Kwoo Seng

Hui King Wai

In accordance with Article 99 of the Company's Bye-laws, Mr. Wong Chong Kim and Mr. Heng Kwoo Seng retire by rotation 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 60, 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 had 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.

Hui Chiu Chung, aged 54, is the Managing Director of the Group and is in charge of the day-to-day management and the execution and further development of the Group's expansion plan. Mr. Hui has over 31 years of experience in the securities and investment industry. Mr. Hui had for years been serving as a Council Member and Vice-Chairman of The Stock Exchange of Hong Kong Limited. He was also a Director of the Hong Kong Securities Clearing Company Limited. He is at present a member of the Advisory Committee of Hong Kong Securities & Futures Commission 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)***Executive Directors** *(continued)*

Chia Bee Yong, aged 40, is an Executive Director of the Group and a Dealing Director of OSK Asia Securities Limited. Miss Chia is responsible for the management of the Group's back office operations. Miss Chia graduated from the National University of Singapore with a Bachelor of Science degree. Miss Chia joined the Group in July 1997 and has about 16 years of experience both in the back office as well as in dealing operations in the securities and futures industry.

Non-executive Directors

Ong Leong Huat @ Wong Joo Hwa, aged 57, is the Non-executive Chairman of the Group. Mr. Ong is also the Group Managing Director and Chief Executive Officer of OSK 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, 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 16 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 45, a brother of Mr. Ong Leong Huat, is a Non-executive Director of the Group 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. 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 52, is a Non-executive Director of the Group 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.

Independent Non-executive Directors

Heng Kwo Seng, aged 54, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)***Independent Non-executive Directors** *(continued)*

Hui King Wai, aged 51, 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 is 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. Hiu 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

Au Kim Fung, aged 42, 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 17 years of securities dealing experience in the stockbroking industry. He joined the Group in May 1996.

Au Kin Hong, Jester aged 38, is a Dealing Director of OSK Asia Securities Limited and is responsible for the management of the retail brokerage business of the Group and the development of the Group's retail branch network. Mr. Au graduated from the University of Strathclyde with a Master degree of Commerce. He has about 15 years of experience in the industry and has held senior positions in a number of renowned brokerage houses in Hong Kong. He joined the Group in July 2001.

Chan Mun Wah, aged 33, is the Group General Manager – Finance & Operations. Mr. Chan is responsible for the management of the Group's operations. Mr. Chan graduated from the University of Glasgow with a Bachelor of Accountancy degree and holds a Bachelor of Laws (Honours) degree from the University of Wolverhampton. He is also a fellow member of the Association of Chartered Certified Accountants. Prior to joining the OSK Asia Group in February 2002, Mr. Chan has about 8 years of operational and corporate finance experience with OSK Securities Berhad in Malaysia, in addition to about 4 years of audit and business advisory experience with an international certified public accounting firm.

Howard, Terence, aged 44, joined the Group in January 2002 as head of the futures and institutional sales divisions. He has more than 20 years experience in Asian markets and has served in various senior positions at Shenyn Wanguo Securities (H.K.) Ltd., Merrill Lynch (Asia Pacific) Ltd., Paribas Asia Equity Ltd., and Sun Hung Kai Investment Services Ltd. He holds a Bachelor of Arts Degree from Chaminade University of Honolulu, the United States of America.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)***SENIOR MANAGEMENT** *(continued)*

Schmitt, Charles Lee, aged 56, 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 over 20 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.

Tsang Siu Hung, Simon, aged 36, 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 16 years of working experience in the securities and futures industry. He joined the Group in May 1993.

Wong Kwok Ying, aged 33, 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.

Wu Wai Kong, Lawrence, aged 34, is a Director of OSK Asia Asset Management Limited and is responsible for the management of the Group's asset management business. Mr. Wu graduated from the McMaster University, Canada with a Bachelor of Science degree in Computer Science and Statistics. Mr. Wu joined the Group in July 1998 and has about 10 years of experience in investment management.

Chin Wai Yung, Clarice, aged 29, 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 Accountants and the associate member of the Hong Kong Society of Accountants. Prior to joining the Group in January 2001, Ms. Chin had over 6 years of experience in the field of financial and operational audits in an international certified public accounting firm and listed companies in Hong Kong.

Wong See Wei, Joyce, aged 33, 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. She has more than 7 years of experience in the field of compliance. Prior to joining the Group, Ms. Wong had been working in one of the regulatory bodies in Hong Kong. Ms. Wong joined the Group in May 1999.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 12 to the financial statements.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Teoh Eng Chooi, Miss 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 compensation arrangements 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, 2001, the interests of the Directors and their associates 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:

Name of directors	Number of ordinary shares held		Total
	Personal interest	Corporate interest	
Teoh Eng Chooi	5,000	24,728,037 (Note a)	24,733,037
Hui Chiu Chung	—	7,591,980 (Note b)	7,591,980
Ong Leong Huat	10,890,000	—	10,890,000

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

In accordance with the Company's share option scheme (the "Scheme") which became effective on 15th August, 2000, the Board of Directors of the Company may grant options to Executive Directors and employees of the Group to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares or 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The purpose of the Scheme is to provide the Directors and employees of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group.

No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The Scheme shall be valid and effective for a period of 10 years commencing on 15th August, 2000, after which period no further options will be issued but the provisions of the Scheme shall remain in full force and effect in all other respects.

At 31st December, 2001, the number of shares in respect of which options had been granted under the Scheme was 30,000,000 (2000: 31,875,000), representing 5.0% (2000: 5.3%) of the shares of the Company in issue at that date.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year.

Directors	Number of share options outstanding at 1st January, 2001	Lapsed during the year	Number of share options outstanding at 31st December, 2001	Exercise price HK\$	Exercisable period
Teoh Eng Chooi	5,625,000	—	5,625,000	0.50	15.8.2000 - 31.12.2002
Hui Chiu Chung	15,000,000	—	15,000,000	0.48	15.8.2000 - 31.5.2002
Chia Bee Yong	1,875,000	—	1,875,000	0.50	15.8.2000 - 31.12.2002
Ong Leong Huat	1,875,000	—	1,875,000	0.50	15.8.2000 - 31.12.2002
Wong Chong Kim	1,875,000	—	1,875,000	0.50	15.8.2000 - 31.12.2002
Gan Neap Kai	1,875,000	—	1,875,000	0.50	15.8.2000 - 31.12.2002
Employees	3,750,000	(1,875,000)	1,875,000	0.50	15.8.2000 - 31.12.2002

No options were granted or exercised during the year.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS *(continued)*

(ii) Options *(continued)*

Save as disclosed above, none of the Directors, 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, 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 of the Company 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 described 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, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of shareholder	Type of interest	Number of shares	%
OSK Holdings Berhad (a listed company in Malaysia)	Corporate	363,428,618 <i>(Note)</i>	60.6

Note:

Mr. Ong Leong Huat, a Director of the Company, and his family hold about 25.4% of the issued share capital of OSK Holdings Berhad.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2001.

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.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

As at 31st December, 2001, 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 34 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Non-executive Directors were not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified by the Company's Bye-laws.

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
Hui Chiu Chung
Group Managing Director

22nd February, 2002