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CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the "Board") of OSK Asia Corporation Limited (the "Company") would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 together with comparative figures for the corresponding period in 2001 as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2002

	Notes	Six months ended	
		30.6.2002 (unaudited) HK\$'000	30.6.2001 (unaudited) HK\$'000
Turnover	3	24,447	33,837
Realised gain on disposal of other investments and futures trading		1,903	1,867
Unrealised loss on revaluation of other investments		–	(2,232)
Other operating income		606	523
Write-back of allowance for doubtful debts		721	–
Allowance for doubtful debts		(3,409)	–
Commission expenses		(3,643)	(5,892)
Amortisation of intangible assets		(209)	(50)
Depreciation		(2,077)	(1,833)
Staff costs		(17,254)	(20,014)
Other operating expenses		(12,882)	(12,609)
Loss from operations		(11,797)	(6,403)
Finance costs		(56)	(1,137)
Loss before taxation		(11,853)	(7,540)
Taxation credit	4	13	–
Net loss for the period		(11,840)	(7,540)
Dividends	5	–	–
Basic loss per share	6	(1.97) cents	(1.26) cents

Condensed Consolidated Balance Sheet

At 30 June 2002

	<i>Notes</i>	30.6.2002 (unaudited) HK\$'000	31.12.2001 (audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment		9,562	11,237
Intangible assets		3,668	3,877
Investments in securities		50	4,150
Statutory deposits		3,785	3,852
Pledged time deposits		1,930	1,930
		18,995	25,046
CURRENT ASSETS			
Trade receivables	7	86,433	126,174
Other debtors, deposits and prepayments		2,004	4,187
Investments in securities	8	4,100	41,799
Bank balances and cash	9	223,820	183,647
		316,357	355,807
CURRENT LIABILITIES			
Trade payables	10	85,462	119,829
Other payables and accrued charges		2,928	2,209
Taxation		7	20
		88,397	122,058
NET CURRENT ASSETS		227,960	233,749
NET ASSETS		246,955	258,795
CAPITAL AND RESERVES			
Share capital		60,000	60,000
Reserves		186,955	198,795
TOTAL CAPITAL AND RESERVES		246,955	258,795

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2002*

	Share capital	Share premium	Capital reserve	Dividend reserve	Retained profits	Special reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2001	60,000	43,652	22	9,000	74,286	127,581	314,541
Net loss for the year	–	–	–	–	(46,746)	–	(46,746)
Dividend paid	–	–	–	(9,000)	–	–	(9,000)
As at 31 December 2001 and at 1 January 2002	60,000	43,652	22	–	27,540	127,581	258,795
Net loss for the period	–	–	–	–	(11,840)	–	(11,840)
As at 30 June 2002	<u>60,000</u>	<u>43,652</u>	<u>22</u>	<u>–</u>	<u>15,700</u>	<u>127,581</u>	<u>246,955</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2002

	Six months ended	
	30.6.2002 (unaudited) HK\$'000	30.6.2001 (unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	37,583	2,884
INVESTING ACTIVITIES		
Dividend received	259	446
Proceeds from disposal of investments in securities	43,702	15,230
Purchase of investments in securities	–	(9,386)
Purchase of property and equipment	(402)	(602)
NET CASH INFLOW FROM INVESTING ACTIVITIES	43,559	5,688
FINANCING ACTIVITIES		
Dividend paid	–	(9,000)
CASH OUTFLOW FROM FINANCING ACTIVITIES	–	(9,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,142	(428)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	89,630	110,831
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	170,772	110,403
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances – general accounts	170,732	111,524
Cash in hand	40	50
Bank overdrafts	–	(1,171)
	170,772	110,403

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

1. Basis of preparation

The condensed financial statements of the Group have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

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.

On 27 June 2002, the former substantial shareholder of the Company, OSK Holdings Berhad, completed an unconditional sale and purchase transaction with Kingly Profits Corporation ("Kingly") to sell to Kingly 363,428,618 shares of the Company, which represent approximately 60.57% of the entire issued share capital of the Company, for a consideration of HK\$192,770,575. Pursuant to the transaction, Kingly is obliged to make unconditional share and option offers on the terms set out in the composite offer document dated 4 July 2002.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2001, except as described below.

In the current period, the Group has adopted, for the first time a number of revised SSAPs issued by the Hong Kong Society of Accountants which has resulted in the presentation of the following new and revised financial statements.

Statement of changes in equity

In accordance with SSAP 1 (Revised) "Presentation of Financial Statements", the requirement for presenting a statement of recognised gains and losses has changed to presenting a statement of changes in equity.

Cash flow statement

In accordance with SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings only – operating, investing and financing.

Accordingly, the presentation in the current period's statement of changes in equity and cash flow statement has been modified in order to conform with the requirements of the revised SSAPs. Comparative disclosures have been restated in order to achieve a consistent presentation.

3. Business and geographical segments

An analysis of the Group's unaudited turnover and segmental results for the period by principal activities is as follows:

Business segments

For the six months ended 30 June 2002

	<u>Broking</u>	<u>Securities margin financing</u>	<u>Investment trading and holding</u>	<u>Corporate finance and asset management</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
Turnover	18,069	4,044	1,325	1,009	24,447
RESULTS					
Segment (loss) profit	(16,082)	2,194	3,486	(657)	(11,059)
Net unallocated expenses					(794)
Loss before taxation					(11,853)
Taxation credit					13
Loss for the period					(11,840)

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2002

3. Business and geographical segments (continued)

For the six months ended 30 June 2001

	<u>Broking</u> <i>HK\$'000</i>	<u>Securities margin financing</u> <i>HK\$'000</i>	<u>Investment trading and holding</u> <i>HK\$'000</i>	<u>Corporate finance and asset management</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
REVENUE					
Turnover	23,010	6,730	3,839	258	33,837
RESULTS					
Segment (loss) profit	(13,003)	3,563	3,919	(1,467)	(6,988)
Net unallocated expenses					(552)
Loss before taxation					(7,540)
Taxation charges					-
Loss for the period					(7,540)

As over 90% of the Group's turnover and loss before taxation are derived from Hong Kong, no analysis of geographical segments has been disclosed in the condensed financial statements.

4. Taxation credit

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for both periods. The taxation credit in current period represents the overprovision of Hong Kong Profits Tax in previous years.

5. Dividends

No dividends were paid during the period. The Board does not recommend the payment of any interim dividend.

A special final dividend for the year ended 31 December 2000 of HK\$9 million was paid during the six months ended 30 June 2001.

6. Basic loss per share

The calculation of the basic loss per share is based on net loss for the period of HK\$11,840,000 (six months ended 30 June 2001: HK\$7,540,000) and the weighted average of 600,000,000 (six months ended 30 June 2001: 600,000,000) shares in issue during the period.

No diluted loss per share has been presented because the effect of exercising all the outstanding share options is anti-dilutive.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2002

7. Trade receivables

	<u>30.6.2002</u> (unaudited) HK\$'000	<u>31.12.2001</u> (audited) HK\$'000
Margin client receivables, net	59,203	106,601
Other client receivables	6,414	4,688
Broker receivables	401	4,076
Amounts due from clearing houses	<u>20,415</u>	<u>10,809</u>
	<u>86,433</u>	<u>126,174</u>

Margin client receivables are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with a market value of approximately HK\$219 million as at 30 June 2002 (31 December 2001: HK\$326 million). No aged analysis is disclosed for margin client receivables as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The settlement terms of other client receivables, broker receivables and amounts due from clearing houses are 1 to 2 days after trade date. The age of these balances is less than 30 days.

Included in the above client receivables as at 30 June 2002 are the accounts of the shareholders, Directors and their associates of approximately HK\$8,132,000 (31 December 2001: HK\$6,697,000).

8. Investments in securities

The current period balance represents an approximately 7.48% interest in I.T.&e Limited ("IT&e"), a listed company in Australia, which is principally engaged in the provision of services in the information technology and e-commerce industries.

On 21 May 2002, the Company had entered into a "IT&e Share Buy Back Offer" to dispose of all IT&e shares at the consideration of AUD1,036,427 which was equivalent to the carrying value recorded in the financial statements. As at 30 June 2002, the carrying value of the investment was included in current assets.

9. Bank balances and cash

	<u>30.6.2002</u> (unaudited) HK\$'000	<u>31.12.2001</u> (audited) HK\$'000
Bank balances		
– general accounts	170,732	89,580
– trust and segregated accounts	53,048	94,017
Cash in hand	<u>40</u>	<u>50</u>
	<u>223,820</u>	<u>183,647</u>

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2002

10. Trade payables

	30.6.2002 (unaudited) HK\$'000	<u>31.12.2001</u> <u>(audited)</u> <u>HK\$'000</u>
Margin client payables	32,638	57,548
Other client payables	52,824	54,725
Broker payables	–	639
Amount due to a clearing house	–	6,917
	85,462	<u>119,829</u>

Margin client payables are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed for margin client payables as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The settlement terms of other client payables, broker payables and amount due to a clearing house are 2 days after trade date. The age of these balances is less than 30 days.

Included in the above client payables as at 30 June 2002 are the accounts of the shareholders, Directors and their associates of approximately HK\$298,000 (31 December 2001: HK\$4,731,000).

11. Contingencies and commitments

The Group has no significant contingent liabilities and commitments as at 30 June 2002 (31 December 2001: Nil).

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

For the six months ended 30 June 2002

12. Related party transactions

Particulars of significant transactions between the Group and former fellow subsidiaries in Malaysia during the period were summarised as below:

	Six months ended	
	<u>30.6.2002</u> (unaudited) HK\$'000	<u>30.6.2001</u> (unaudited) HK\$'000
Commission paid	<u>51</u>	<u>15</u>

In the ordinary course of business, the clients of OSK Asia Securities Limited and OSK Asia Futures Limited place orders with the Group to trade in listed securities and futures contracts in Malaysia. Former fellow subsidiaries in Malaysia execute the trades and charge the Group brokerage and futures broking commission at pre-agreed rates based on the minimum commission rates required in Malaysia.

Furthermore, the Group entered into the following transactions with certain shareholders of the Company and certain Directors of the Group during the period. The commission, fee and the interest are charged at market rates. The transactions are related to futures and securities trading and margin accounts:

	Six months ended	
	<u>30.6.2002</u> (unaudited) HK\$'000	<u>30.6.2001</u> (unaudited) HK\$'000
Commission, fee and interest income from		
Shareholders	289	142
Directors	169	45
Interest paid to		
Shareholders	–	2
Directors	<u>2</u>	<u>74</u>

In the opinion of Directors, the above transactions are carried in the Group's ordinary course of business and on normal commercial terms.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2002, the Group's turnover decreased by approximately 27.8% to approximately HK\$24.4 million as compared to the corresponding figure for 2001. The Group recorded a loss attributable to shareholders of approximately HK\$11.8 million for the same period as compared to a loss of approximately HK\$7.5 million for the corresponding period in 2001.

The Board does not view the financial results as pleasing but understands that this was largely due to the prolonged severe draught in the securities market. The decrease in turnover was mainly attributed to the drop in commission income from the Group's stockbroking business which was dampened by the shrinkage in the total trading volume on the Stock Exchange. During the period under review, the average daily trading volume on the Stock Exchange was approximately HK\$7,341 million, representing a decline of approximately 21.1% from HK\$9,309 million for the corresponding period in 2001.

On 27 June 2002, the former substantial shareholder of the Company, OSK Holdings Berhad, completed an unconditional sale and purchase transaction with Kingly Profits Corporation ("Kingly") to sell to Kingly 363,428,618 shares of the Company, which represent approximately 60.57% of the entire issued share capital of the Company, for a consideration of HK\$192,770,575. Pursuant to the transaction, Kingly is obliged to make unconditional share and option offers on the terms set out in the composite offer document dated 4 July 2002.

Liquidity, Financial Resources and Funding

The Group continued to maintain a highly liquid balance sheet, with cash reserves of approximately HK\$224 million, which include approximately HK\$53 million of clients' funds that were kept in designated bank trust accounts. Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The gearing ratio (total liabilities/total shareholders funds) as at 30 June 2002 was 0.36 (31 December 2001: 0.47).

The Group relied mainly on its internal resources for its funding requirement and hence, only a small amount of the overdraft facilities were utilised. Overdraft facilities were granted to the Group at normal market interest rates and denominated in Hong Kong dollars.

Charges on Group Assets

During the six months ended 30 June 2002, the Group had pledged fixed deposits of about HK\$1.9 million (2001: HK\$1.9 million) to secure a bank guarantee granted to a subsidiary in relation to the leasing of office premises.

Employees

The Group, including its subsidiaries, employed approximately 127 employees at 30 June 2002 (2001: 120). All the share options granted to the Directors and employees have been renounced and cancelled in the unconditional cash offer by Kingly after 16 July 2002. The Group shall continue to place emphasis on developing the employee, one of the most valuable resources of the Group, by arranging training and educational assistance to all eligible employees.

Future Plans and Prospect

The deepening deflation and escalating unemployment in the territory are especially worrying, as these reflect the structural economic problems and bleak outlook of the global economy.

On a positive note, Hong Kong is undergoing a healthy consolidation which will help transform the territory into a more competitive business center. Hong Kong's role as an international financial center is unlikely to be overtaken by any major cities in the region in the near future, especially the much-talked about competition from Mainland China. We strongly believe that China will continue to reform its various business sectors during its accession to the World Trade Organisation. Hong Kong will continue to play an important role in channeling funds and expertise to and from the Mainland. The dynamic integration of the territory with its motherland will lead to more participation of Hong Kong's businesses in China's continued economic development.

The Board believes that the difficult and competitive operating environment in the local securities industry will only phase out the less efficient participants. As our Group possesses a strong balance sheet and competent management team, we should be able to seize upon any business opportunities arising from the ever-changing business developments in Hong Kong and Mainland.

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2002 (2001: Nil).

OTHER INFORMATION

Directors' Interests in Shares and Options

i) Shares

As at 30 June 2002, 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:

Directors	Personal interest	Number of shares	
		Corporate interest	Total
Ong Leong Huat	10,890,000	–	10,890,000
Teoh Eng Chooi	5,000	24,728,037 (Note 1)	24,733,037
Hui Chiu Chung	–	7,591,980 (Note 2)	7,591,980

Notes:

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

ii) Options

The following table discloses movements in the Company's share options during the six months ended 30 June 2002:

Directors	Date of grant	No. of share options outstanding as at 1 January 2002	Lapsed during the period	No. of share options outstanding as at 30 June 2002	Exercise price (HK\$)	Exercisable period
Ong Leong Huat	15.8.2000	1,875,000	–	1,875,000	0.50	15.8.2000 - 31.12.2002
Teoh Eng Chooi	15.8.2000	5,625,000	–	5,625,000	0.50	15.8.2000 - 31.12.2002
Chia Bee Yong	15.8.2000	1,875,000	–	1,875,000	0.50	15.8.2000 - 31.12.2002
Wong Chong Kim	15.8.2000	1,875,000	–	1,875,000	0.50	15.8.2000 - 31.12.2002
Gan Neap Kai	15.8.2000	1,875,000	–	1,875,000	0.50	15.8.2000 - 31.12.2002
Hui Chiu Chung	15.8.2000	15,000,000	(15,000,000)	–	0.48	15.8.2000 - 31.5.2002

Subsequent to the acceptance of offer made by Kingly in renunciation of share options held by the Directors and employees of the Company, all the share options granted under the share option scheme of the Company had been cancelled after end of the period.

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 period.

Substantial Shareholders

As at 30 June 2002, 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 shareholders	Number of shares	Percentage of voting power
Kingly Profits Corporation	363,428,618 (Note 1)	60.57%
King United Agents Limited	363,428,618 (Note 1&2)	60.57%
To Shu Fai	363,428,618 (Note 2)	60.57%

Notes:

- (1) These shares were held by Kingly Profits Corporation, which was owned as to 80% by King United Agents Limited. The interest disclosed herein was deemed to be the corporate interests of King United Agents Limited.
- (2) King United Agents Limited was wholly owned by Mr. To Shu Fai. The interest disclosed herein was deemed to be the corporate interest of Mr. To Shu Fai.

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 30 June 2002.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Audit Committee has discussed and reviewed with the management this unaudited interim report. The Audit Committee is of the opinion that the related party transactions were carried out in the Group's ordinary course of business and on normal commercial terms.

Code of Best Practice

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the six months period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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 in the Company's Bye-laws.

By order of the Board
To Shu Fai
 Chairman

Hong Kong, 24 July 2002