

# Directors' Report

The directors of the Company (the "Directors") submit herewith their report together with the audited accounts of the Company and the Group for the year ended 31 December 2002.

## PRINCIPAL ACTIVITIES

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

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 13 to the accounts.

## RESULTS

The results of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 18 to 48.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2002.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 22 to the accounts.

## RESERVES

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

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the Group's five largest customers accounted for less than 30% of the total turnover for the year.

The Group is a provider of financial services. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

## CHANGE OF COMPANY'S NAME

By a special resolution passed on 22 November 2002, the name of the Company was changed from OSK ASIA CORPORATION LIMITED to REXCAPITAL Financial Holdings Limited and the Company adopted, for the purpose of identification only, 御泰金融控股有限公司 as the new Chinese name on the same date.

## FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 12 to the accounts.

## DIRECTORS

The Directors during the financial year and up to the date of this report were:

### Executive Directors

To Shu Fai ( <i>Chairman</i> )	(appointed on 4 July 2002)
Chan How Chung, Victor	(appointed on 4 July 2002)
Lee Huei Lin, Elizabeth	(appointed on 27 January 2003)
Chia Bee Yong	(resigned on 20 March 2002)
Ong Leong Huat	(resigned on 25 July 2002)
(also known as Wong Joo Hwa)	
Wong Chong Kim	(resigned on 25 July 2002)
Gan Neap Kai	(resigned on 25 July 2002)
Teoh Eng Chooi	(resigned on 25 July 2002)
Hui Chiu Chung	(resigned on 25 July 2002)

### Independent non-executive Directors

Heng Kwoo Seng	
Choy Hok Man, Constance	(appointed on 30 September 2002)
Hui King Wai	(resigned on 25 July 2002)

In accordance with bye-law 102(B) of the Company's bye-laws, Mr To Shu Fai, Mr Chan How Chung, Victor, Miss Lee Huei Lin, Elizabeth and Miss Choy Hok Man, Constance retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 99 of the Company's bye-laws, Mr Heng Kwoo Seng retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

# Directors' Report *(Continued)*

## DIRECTORS' SERVICE CONTRACTS

Each of Mr Teoh Eng Chooi, Miss Chia Bee Yong and the consultancy company associated with Mr Hui Chiu Chung, former directors of the Company, has entered into a service agreement dated 15 August 2000 with the Company. The service agreements cover an initial term of three years commencing on 15 August 2000 unless terminated by not less than six months' 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.

No Director proposed for re-election and re-appointment at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Details of the Directors' interests in contracts are set out in note 30 to the accounts.

Save as disclosed above, no other contract of significance to which the Company, its holding companies, its fellow subsidiaries or any of its subsidiaries was a party and in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 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:

Name of Director	Number of shares	Type of interest
To Shu Fai	449,761,127 <i>(Note)</i>	Corporate interest

*Note:*

449,761,127 shares were held by Kingly Profits Corporation ("Kingly"). Mr To Shu Fai indirectly held 80% of the beneficial interest in Kingly. Therefore the interest disclosed herein was deemed to be the corporate interest of Mr To.

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.

## SHARE OPTIONS

The Company had a share option scheme which was adopted on 15 August 2000 (the "2000 Scheme"). By an ordinary resolution passed on the special general meeting held on 22 November 2002, the operation of the 2000 Scheme was terminated and a new share option scheme (the "2002 Scheme") was adopted.

The following is a summary of the principal terms of these two share option schemes:

### The 2000 Scheme

The purpose of the 2000 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.

Under the 2000 Scheme, the Board 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. 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 2000 Scheme.

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

Subsequent to the unconditional cash offer by Kingly on 25 July 2002, all the outstanding options have been renounced and cancelled by their holders and there were no outstanding options under the 2000 Scheme.

The movements in share options granted under the 2000 Scheme during the year and options outstanding at the beginning and end of the year are shown below:

Option holders	Number of options outstanding as at 1 Jan 2002	Exercise price (HK\$)	Exercisable period	Lapsed during the year	Cancelled due to unconditional cash offer	Number of options exercised during the year	Number of options outstanding as at 31 Dec 2002
Teoh Eng Chooi	5,625,000	0.50	15.8.2000-31.12.2002	—	5,625,000	Nil	Nil
Hui Chiu Chung	15,000,000	0.48	15.8.2000-31.5.2002	15,000,000	—	Nil	Nil
Chia Bee Yong	1,875,000	0.50	15.8.2000-31.12.2002	—	1,875,000	Nil	Nil
Ong Leong Huat	1,875,000	0.50	15.8.2000-31.12.2002	—	1,875,000	Nil	Nil
Wong Chong Kim	1,875,000	0.50	15.8.2000-31.12.2002	—	1,875,000	Nil	Nil
Gan Neap Kai	1,875,000	0.50	15.8.2000-31.12.2002	—	1,875,000	Nil	Nil
Employees	1,875,000	0.50	15.8.2000-31.12.2002	—	1,875,000	Nil	Nil

# Directors' Report *(Continued)*

## SHARE OPTIONS *(Continued)*

### The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant options to executives and employees of the Group and other persons who have made a contribution to the Group as incentives and/or rewards for their contributions to the Company or its subsidiaries.

According to the 2002 Scheme, the Board may grant options to the eligible participants as defined in the 2002 Scheme to subscribe for such number of shares as the Board may determine. Options granted should be accepted within 30 days from the date of offer. Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The exercise price of options shall be determined by the Board, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option scheme(s) of the Company (excluding the 2000 Scheme) must not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the 2002 Scheme provided that the Company may at any time seek approval from its shareholders to refresh the limit to 10% of the shares in issue as at the date of approval by the shareholders in general meeting where such limit is refreshed. Options previously granted under any share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's issued share capital on the date of grant or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no options can be exercised more than 10 years after it has been granted. There is no general requirement that an option must be held for any minimum period before it can be exercised. The 2002 Scheme will expire on 22 November 2012.

No options have been granted under the 2002 Scheme during the year ended 31 December 2002.

## ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, its holding companies, its fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, according to the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

Name of shareholders	Number of shares	Percentage of issued share capital
Kingly Profits Corporation ("Kingly")	449,761,127 ( <i>Note 1</i> )	74.96%
King United Agents Limited	449,761,127 ( <i>Notes 1 &amp; 2</i> )	74.96%

*Notes:*

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

Saved as disclosed above, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

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

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2002.

## CONNECTED TRANSACTIONS

Particulars of connected transactions of the Company and the Group during the year are set out in note 30 to the accounts.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2002 are set out in note 29 to the accounts.

# Directors' Report *(Continued)*

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 49.

## **RETIREMENT BENEFIT SCHEME**

Particulars of the retirement benefit scheme of the Group are set out in note 31 to the accounts.

## **PRE-EMPTIVE RIGHTS**

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

## **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31 December 2002 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 by the Company's bye-laws.

## **AUDIT COMMITTEE**

The Company has re-constituted the Audit Committee which consisted of Mr Heng Kwo Seng and Miss Choy Hok Man, Constance, the two independent non-executive directors of the Company on 30 September 2002. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group.

## **AUDITORS**

Deloitte Touche Tohmatsu resigned as auditors of the Company on 21 January 2003. Ting Ho Kwan & Chan were appointed subsequently on 22 January 2003. Ting Ho Kwan & Chan retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ting Ho Kwan & Chan is to be proposed at the forthcoming annual general meeting.

By order of the Board

**Chan How Chung, Victor**  
*Director*

Hong Kong, 24 April 2003