





# C O N T E N T S

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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of OSK Holdings Berhad will be held at the Auditorium, 11th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur on Tuesday, 21 May 2002 at 10.00 a.m. for the purpose of transacting the following businesses:

## Agenda

1. To receive and adopt the Directors' Report, Audited Financial Statements and the Auditors' Report for the year ended 31 December 2001. (Resolution 1)
2. To sanction the declaration of a final dividend of 2.5 sen per ordinary share less 28% Malaysian income tax in respect of the financial year ended 31 December 2001. (Resolution 2)
3. To approve the Directors' fees of RM86,000 for the financial year ended 31 December 2001. (Resolution 3)
4. To re-elect Mr Ong Leong Huat @ Wong Joo Hwa who retires in accordance with paragraph 7.28 of the Kuala Lumpur Stock Exchange Listing Requirements and being eligible, offers himself for re-election. (Resolution 4)
5. To re-elect the following Directors who retire in accordance with the Articles of Association of the Company and being eligible, offer themselves for re-election:-
  - a) Mr Gan Neap Kai (Resolution 5)
  - b) Dr Choong Tuck Yew (Resolution 6)
  - c) Dr Kamaruddin Bin Mohd Said (Resolution 7)
6. To re-appoint Messrs. HLB I.M. Chieng & Co. as Auditors and to authorise the Directors to fix their remuneration. (Resolution 8)
7. As Special Business:  
To consider, and if thought fit, to pass the following Ordinary Resolution:

### AUTHORITY TO ALLOT AND ISSUE SHARES

"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 9)



8. To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

TAN MUI LIAN  
Secretary

Kuala Lumpur  
29 April 2002

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or in some other manner approved by its Board of Directors.
3. The instrument appointing a proxy must be deposited at the registered office of the Company, 20th Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. Explanatory Statement on Special Business

The Ordinary Resolution 9, if passed will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



# Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Twelfth Annual General Meeting of the Company:

- i. Mr Ong Leong Huat @ Wong Joo Hwa
- ii. Mr Gan Neap Kai
- iii. Dr Choong Tuck Yew
- iv. Dr Kamaruddin Bin Mohd Said

2. Details of attendance of Directors at Board meetings:

There were seven (7) Board of Directors Meetings held during the financial year ended 31 December 2001. Details of attendance of the Directors are set out in the Corporate Governance appearing on pages 28 to 33 of this Annual Report.

3. Place, date and time of the Board of Directors Meetings:

All seven (7) Board of Directors' Meetings held during the financial year ended 31 December 2001 took place at 22nd Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

Date of Meetings	Time
3 January 2001	10.00 a.m.
27 February 2001	2.15 p.m.
9 May 2001	10.15 a.m.
14 June 2001	10.15 a.m.
23 August 2001	12.00 p.m.
18 October 2001	10.00 a.m.
5 November 2001	4.15 p.m.

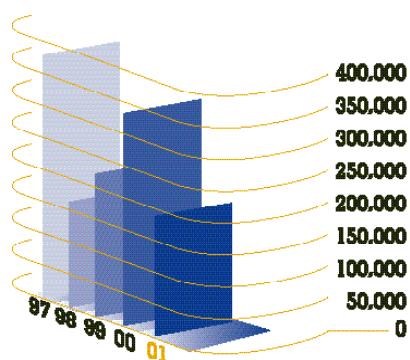
4. Details of the profile of Directors who are standing for re-election are set out in the Directors' Profile appearing on Page 10 to 13 of this Annual Report.



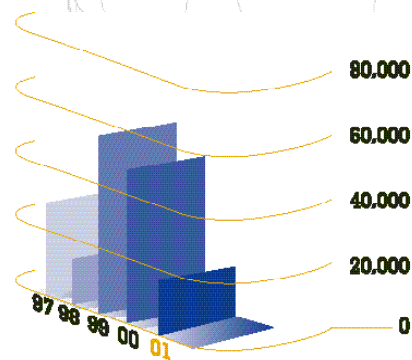
# Five-Year Financial Summary

In RM'000	2001	2000	1999	1998	1997
Operating Revenue	192,033	337,492	221,562	162,073	393,570
(Loss) / Profit Before Tax	(9,337)	61,656	103,394	31,460	40,450
(Loss) / Profit After Tax and After Minority Interests	(12,208)	33,157	96,567	23,961	15,358
Dividends	18,107	48,597	51,559	15,623	28,853
Paid-up Capital	514,929	536,423	304,272	298,325	271,190
Shareholders' Funds	1,055,600	1,119,177	772,269	715,956	680,104
Basic (Loss) / Earnings Per Share (sen)	(2.3)	7.3	24.0	8.7	5.7
Dividends Per Share (sen)	5.0	12.5	15.0	7.5	15.0
Net Tangible Assets Per Share (RM)	1.53	1.70	2.53	2.39	2.50

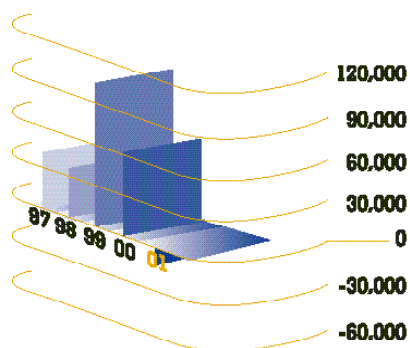
Operating Revenue RM'000



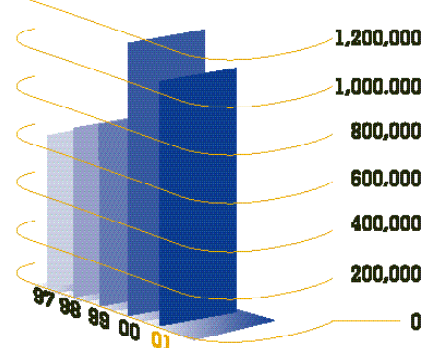
Dividends RM'000



(Loss)/ Profit Before Tax RM'000



Shareholders' Funds RM'000





## Corporate Information

### Board of Directors

Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	Executive Chairman
Ong Leong Huat @ Wong Joo Hwa	Group Managing Director/ Chief Executive Officer (CEO)
Dato' Nik Mohamed Bin Nik Yahya	Executive Director
Wong Chong Kim	Executive Director
Gan Neap Kai	Executive Director
Wong Chong Che	Non-Executive Director
Dato' Mohamed Tarmizi Bin Mohd Tahir	Independent Non-Executive Director
Dr Choong Tuck Yew	Independent Non-Executive Director
Dr Kamaruddin Bin Mohd Said	Independent Non-Executive Director

### Management Board

Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	Executive Chairman
Ong Leong Huat @ Wong Joo Hwa	Group Managing Director/CEO
Dato' Nik Mohamed Bin Nik Yahya	Executive Director
Wong Chong Kim	Executive Director
Gan Neap Kai	Executive Director

### Executive Committee

Dato' Nik Mohamed Din Bin Datuk Nik Yusoff  
Ong Leong Huat @ Wong Joo Hwa  
Dato' Nik Mohamed Bin Nik Yahya  
Wong Chong Kim  
Gan Neap Kai

### Auditors

HLB I.M. Chieng & Co.  
Chartered Accountants  
No. 2-E (1st Floor), Jalan SS22/25  
47400 Damansara Jaya  
Selangor Darul Ehsan

### Audit Committee

Dato' Mohamed Tarmizi Bin Mohd Tahir  
Dr Choong Tuck Yew  
Wong Chong Kim

### Solicitors

Cheang & Ariff  
Chellam Wong  
Raghavji & Pillai  
S.N. Yap and Associates  
Sivanathan

### Nomination Committee

Dato' Mohamed Tarmizi Bin Mohd Tahir  
Dr Choong Tuck Yew

### Remuneration Committee

Dato' Mohamed Tarmizi Bin Mohd Tahir  
Ong Leong Huat @ Wong Joo Hwa  
Dr Choong Tuck Yew

### Company Secretaries

Tan Mui Lian  
Chew Swee Inn

### Registered Office / Principal Business Address

20th Floor, Plaza OSK  
Jalan Ampang  
50450 Kuala Lumpur  
Tel: 03-2162 4388  
Fax: 03-2161 8254

### Registrar

Signet Share Registration Services Sdn Bhd  
21 & 23, Jalan Hussein (Ground Floor)  
30250 Ipoh, Perak Darul Ridzuan  
Tel: 05-241 5633  
Fax: 05-241 5578

### Principal Bankers

ABN-AMRO Bank Berhad • Affin Bank Berhad • Bank Utama (M) Berhad • Bumiputra-Commerce Bank Berhad • Citibank Berhad • HSBC (Hong Kong) Ltd • Malayan Banking Berhad • OCBC Bank (M) Berhad • RHB Bank Berhad • Southern Bank Berhad • Standard Chartered Bank (Hong Kong) Ltd • Standard Chartered Bank (M) Berhad • United Overseas Bank (M) Berhad

### General Information

The Company is a public limited liability company listed on the Kuala Lumpur Stock Exchange Main Board, incorporated under the Companies Act, 1965 and domiciled in Malaysia.



## Management Team

### OSK Securities Berhad

Diong King Kuang  
Executive Director Operations

Albert Tai Lee Chuan  
Executive Director Compliance Designate/  
General Manager, Group Compliance

Nik Halim @ Nik Ghazi Bin Nik Daud  
Executive Director Dealing

Mohd Idris Bin Ahmad Jais  
Executive Director Dealing

Hugh Loh Siew Hooi  
Executive Vice President/Chief Operating Officer,  
Corporate Finance

Tuan Haji Azmazuraiddi Bin Dato' Dr Hj Dzulkarnain  
General Manager, Group Human Resource &  
Administration

Jaymes Ong Boon Aun  
General Manager, Group Consumer Marketing &  
Group Corporate Communications

Mike Ho Kok Cheong  
General Manager, Group Information Technology

Kelvin Tan Sun Seng  
General Manager, e-Business

Tina Choy Yin Leng  
Assistant General Manager, Group Finance & Accounts

Wong Kum Cheong  
Assistant General Manager, Derivatives &  
Fixed-Income

Wong Eng Kui  
Assistant General Manager, Credit Control &  
Supervision

William Ng Ghim Ann  
Executive Vice President, Business Development

Leong Hon Sze  
Vice President, Portfolio Management

Lim Teck Him  
Vice President/Officer-In Charge,  
Institutional Sales

Izamuiddin Bin Ishak  
Vice President, Marketing and Dealing

Tong Seong Ann  
Senior Manager, Group Internal Audit

Chan Wai Keong  
Senior Manager, Operations

Yogeswaran A/L Subramaniam  
Manager, Group Legal Affairs

Christina Yong  
Deputy Manager, Priority Broking

Lai Yit Loong  
Assistant Manager, Strategic Planning and  
Risk Management

Angela Ng Cheong Yoke  
Senior Executive, Institutional Unit Trust Agent

### Branch Operations

Chan Kong Ming  
Chief Operating Officer/Head of Melaka Branch

Eddy Tan Kheak Geai  
General Manager/Head of Penang Branch

Ho Seng Yee  
General Manager/Head of Ipoh Branch

Kong Kek Hing  
General Manager/Head of Kuching Branch

Shirley Wong I Kiew  
General Manager/Head of Kuantan Branch

Khoo Guan Cheong  
Senior Manager/Head of Butterworth Branch

Yvonne Lee Kwee Yuen  
Assistant General Manager/Acting Head of  
Johor Bahru Branch

Sy Ban Lee  
General Manager/Head of Batu Pahat Branch

### OSK Asia Corporation Limited, Hong Kong

Teoh Eng Chooi  
Executive Vice Chairman

### OSK Capital Sdn Bhd

Voon Pak Keong  
Manager

### OSK Futures And Options Sdn Bhd

Steven Lai Choon Lim  
General Manager

### OSK Properties Sdn Bhd

Teong King Hua  
General Manager

### OSK Realty Sdn Bhd

Gnana Guruparan A/L Rajaratnam  
Manager, Building Management

Lt. Col (Rtd.) Ho Chee Pong  
Manager, Security

### OSK Research Sdn Bhd

Pankaj Kumar A/L Bipinchandra  
Senior Manager

### OSK-UOB Unit Trust Management Berhad

Michael Tan Lib Chau  
General Manager/Chief Executive Officer

### OSK Venture Equities Sdn Bhd

Eddie Yap Yuh Foh  
General Manager

### finexasia.com Sdn Bhd

Jimmy Loke Kok Cheong  
Chief Executive Officer





## Significant Events

### 8 January 2001

The company changed its name from O.S.K Holdings Berhad to OSK Holdings Berhad ("OSK").

### 29 January 2001

OSK completed the acquisition of KE-ZAN Holdings Berhad ("KZH").

### 15 February 2001

OSK Securities Berhad ("OSKS") entered into a Business Merger Agreement with KE-ZAN Securities Sdn Bhd ("KZS") to merge the stockbroking business of OSKS and KZS and to subsequently operate KZS as a branch of OSKS.

### 9 March 2001

OSKS launched its Short Message Services (SMS) in collaboration with Messaging Technologies Sdn Bhd.

### 27 March 2001

OSKS opened its second branch in Melaka consequent to the merger of OSKS and OSK Securities (Melaka) Sdn Bhd.

### 12 April 2001

OSKS conferred the status of Universal Broker by the Securities Commission.

### 19 April 2001

Eleventh Annual General Meeting and Extraordinary General Meeting.

### 28 May 2001

OSKS opened its third branch in Penang consequent to the merger of OSKS with KZS.

### 23 July 2001

OSKS commenced operations as a Corporate Financial Advisor.

### 30 July 2001

OSKS opened its fourth branch in Butterworth.

### 20 August 2001

OSKS opened its fifth branch in Johor Bahru.

### 30 October 2001

OSK held a signing ceremony with 50 e-partners during the launching of its Strategic e-Partners Dual Hyperlink on the OSK homepage.

### 3 December 2001

OSKS opened its sixth branch in Kuantan.

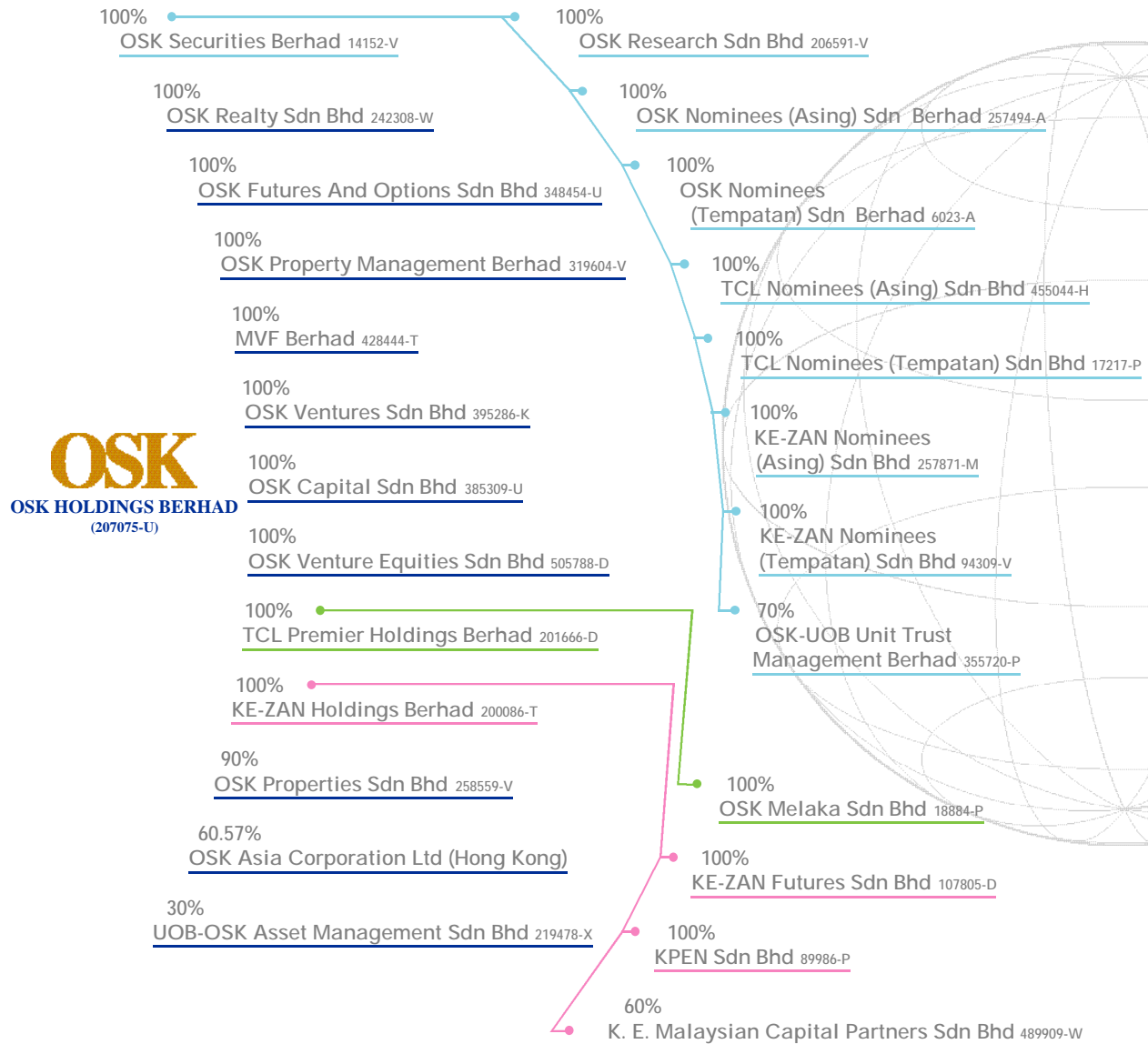
### 10 December 2001

OSKS opened its seventh branch in Kuching.





# Corporate Structure





# Directors' Profile

## Executive Chairman

**DATO' NIK MOHAMED DIN BIN DATUK NIK YUSOFF**, a Malaysian, aged 59. He is the Executive Chairman of the Company and was appointed to the Board of the Company on 12 January 1998. Dato' Nik Mohamed Din is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in 1969.

Dato' Nik Mohamed Din was the Chairman and Executive Chairman of the Kuala Lumpur Stock Exchange (KLSE) for 12 years since 1985. He had previously served as a Magistrate for the Malaysian Judicial Services in 1970. He joined Messrs Mah, Kok and Din as a lawyer for 13 years before assuming the appointment as Executive Chairman of OSK Securities Berhad in 1984.

Dato' Nik Mohamed Din also holds directorship in TCL Premier Holdings Berhad and Jerasia Capital Berhad.

Dato' Nik Mohamed Din is the brother in-law of Dato' Nik Mohamed Bin Nik Yahya. He does not have any conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Of the seven Board meetings of the Company held during financial year, he attended all except one for which he had extended his apologies.

## Group Managing Director/CEO

**MR ONG LEONG HUAT @ WONG JOO HWA**, a Malaysian, aged 58. He is the Group Managing Director/CEO of the Company and was appointed to the Board of the Company on 21 November 1990.

Mr Ong Leong Huat has been the Managing Director/CEO of OSK Securities Berhad since July 1985. He holds a dealer's representative licence issued by the Securities Commission (SC) under the Securities Industry Act, 1983 and is the Corporate Nominee of the Company on the Board of OSK Securities Berhad. Prior to this, he was attached to a leading financial institution for 17 years since 1969 where he held the position of Senior General Manager.

Mr Ong Leong Huat is also a Director of TCL Premier Holdings Berhad.

Mr Ong Leong Huat is the brother of Mr Wong Chong Kim and Mr Wong Chong Che. He does not have any conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Ong Leong Huat has attended all the seven Board meetings of the Company held during the financial year.



## Executive Director

**DATO' NIK MOHAMED BIN NIK YAHYA**, a Malaysian, aged 66. He is the Executive Director and one of the first Directors appointed to the Board of the Company on 1 November 1990. Dato' Nik Mohamed is a lawyer by profession. He read law at Lincoln's Inn, London and was admitted to the English Bar in July 1967.

Dato' Nik Mohamed was the Deputy General Manager of OSK Securities Berhad since December 1986 and then became a Director and Executive Chairman of OSK Securities Berhad in April 1989. He holds a dealer's representative licence issued by SC under the Securities Industry Act, 1983 and is the Corporate Nominee of the Company on the Board of OSK Securities Berhad. He has previously served as an Administrative Officer, in the Kelantan Civil Service from 1956 to 1966 and as a Judicial and Legal Officer in the Federal Judicial and Legal Services from 1967 to 1986. On November 1987, he became an Advocate and Solicitor of the High Court of Malaya. He had also served as a Magistrate, President Sessions Court, Senior Assistant Registrar High Court Malaya, Deputy Public Prosecutor, Senior Federal Counsel, State Legal Advisor, Director Legal Services Malaya and Public Trustee as well as Official Administrator Malaysia, the post he held until his retirement on 2 December 1986. He has also acted as trustee of various funds under Malaysian Unit Trust Schemes and as a Director/Council Member of voluntary organizations and Government Statutory Bodies, such as Dewan Bahasa dan Pustaka, Universiti Teknologi Mara (UiTM), Johor State Economic Development Corporation, Yayasan Kebajikan Negara and National Heroes and Defence Fund. He has also served as a Committee Member of KLSE for three years from 1995 to 1998.

Dato' Nik Mohamed is the brother in-law of Dato' Nik Mohamed Din Bin Datuk Nik Yusoff. He does not have any conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Dato' Nik Mohamed has attended all the seven Board meetings of the Company held during the financial year.

**MR WONG CHONG KIM**, a Malaysian, aged 46. He was appointed to the Board of the Company as Executive Director on 21 November 1990. He is a Fellow of the Chartered Association of Certified Accountants.

Mr Wong Chong Kim joined OSK Securities Berhad as a Finance Manager in 1985 and became Executive Director in April 1989. He holds a dealer's representative licence issued by SC under the Securities Industry Act, 1983 and is the Corporate Nominee of the Company on the Board of OSK Securities Berhad. Prior to this, he was the Accountant and Assistant Credit Manager of a leading financial institution in 1983 for two years.

Mr Wong Chong Kim is also a Director of TCL Premier Holdings Berhad.

Mr Wong Chong Kim is the brother of Mr Ong Leong Huat and Mr Wong Chong Che. He does not have any conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong Chong Kim has attended all the seven Board meetings of the Company held during the financial year.



### Executive Director

**MR GAN NEAP KAI**, a Malaysian, aged 53. He was appointed to the Board of the Company on 1st February 1996 as Executive Director. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Certified Public Accountant, Singapore.

Upon completion of his Articleship in Chartered Accountancy in London, he joined Touche Ross & Co in Singapore and later joined Hanafiah Raslan & Mohamed in Kuala Lumpur where he became a Principal of the firm. Subsequently, he joined the MBF Group where he held successively the positions of General Manager of MBF Holdings Berhad and Chief General Manager of MBF Finance Berhad. Later, he joined the Raja Garuda Mas Group of Indonesia as the Head of the International Division where he was based in Singapore. Prior to joining the OSK Group, he was the Executive Director of Innovest Berhad.

Mr Gan Neap Kai does not have any family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Of the seven Board meetings of the Company held during the financial year, he attended all except two for which he had extended his apologies.

### Non-Executive Director

**MR WONG CHONG CHE**, a Malaysian, aged 48. He is the Non-Executive Director and one of the first Directors appointed to the Board of the Company on 1 November 1990. He is a Fellow of the Chartered Association of Certified Accountants.

Mr Wong Chong Che joined OSK Securities Berhad as an Accountant in 1982 and became Executive Director in 1984 before assuming the present post of Executive Vice President, Corporate Trading in 1994. He holds a dealer's representative licence issued by SC under the Securities Industry Act, 1983. Prior to this, he was a Personal Assistant to a partner in Thomas and Howe, Chartered Accountants in the United Kingdom in 1980 for two years.

Mr Wong Chong Che is the brother of Mr Wong Chong Kim and Mr Ong Leong Huat. He does not have any conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Mr Wong Chong Che has attended all the seven Board meetings of the Company held during the financial year.

### Independent Non-Executive Director

**DATO' MOHAMED TARMIZI BIN MOHD TAHIR**, a Malaysian, aged 66. He was appointed to the Board of the Company on 21 November 1990 as an Independent Non-Executive Director. He graduated from the University of Malaya in Singapore with a Bachelor of Arts in Geography.

Dato' Mohamed Tarmizi started his career in 1961 as an Assistant District Officer in Kuala Pilah, Negeri Sembilan for four years before assuming the post of the District Officer in Seremban. From 1968 to 1969, he was a Training Officer at the Staff Training Centre in Petaling Jaya. Later, he became the State Development Officer of Negeri Sembilan and also the State Development Officer of Pahang. He was made the first General Manager of the Jengka Development Corporation. He has also served in the Treasury department at the Ministry of Finance for four years as Deputy Director of Budget. In 1978, he was transferred to Perak as the State Financial Officer before assuming the post of the General Manager of the Perak Foundation in 1984 for nine years until his retirement.



Dato' Mohamed Tarmizi is also a Director of PJ Development Holdings Berhad and Intan Utilities Berhad.

Dato' Mohamed Tarmizi does not have any family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Of the seven Board meetings of the Company held during the financial year, he attended all except three for which he had extended his apologies.

**DR CHOONG TUCK YEW**, a Malaysian, aged 64. He was appointed to the Board of the Company on 29 June 2001 as an Independent Non-Executive Director. He possessed a MBA, ACIS (Australia), Registered Accountant (Malaysia), Certified Public Accountant (Malaysia) and Fellow Institute of Internal Auditors (Malaysia).

Currently, he is a Managing Proprietor with Choong Consultants, a financial, training and management consultancy firm. Before his retirement, Dr Choong was the Managing Director of Visia Finance Berhad. Prior to his secondment to Visia Finance Berhad, he was the Chief Manager in Bank Negara Malaysia, where he served for more than 25 years.

Dr Choong Tuck Yew does not have any family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Dr Choong Tuck Yew has attended all three Board meetings of the Company held during the financial year since his appointment to the Board of the Company.

**DR KAMARUDDIN BIN MOHD SAID**, a Malaysian, aged 50. He was appointed to the Board of the Company on 22 April 2002 as an Independent Non-Executive Director. He received his Masters of Arts and Ph.D from University of California at Berkeley. Prior to this, he gained his Bachelor of Arts (Honours) in Anthropology and Sociology and Masters of Arts in Sociology from University of Malaya.

Currently, he is the Head of the Programme of Anthropology and Sociology of Universiti Kebangsaan Malaysia (UKM). He teaches Anthropology and Sociology at UKM and specialises in the Sociology of Industrial Relations and Economics Anthropology, which place great emphasis and attention to the economic behaviour in production, distribution, consumption, savings and investments.

Dr Kamaruddin does not have any family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest other than those disclosed under Other Information (Recurrent Related Party Transactions) which appears on pages 78 and 79 in this Annual Report. He has no conviction for any offences within the past ten years.

Dr Kamaruddin has yet to attend Board meetings of the Company since his appointment to the Board of the Company.





## Chairman's Statement



The year 2001 was a challenging year for global equity market as hope of an economic recovery in the United States of America (U.S.) did not materialise. The U.S., being the largest economy in the world, proved to be a disappointment. Despite aggressive interest rate cuts by the Federal Reserve, the U.S. economy failed to be lifted from the looming recession. For the Malaysian equity market, the year started out on a positive note with the KLCI reaching its year high of 736 points in February. As economic fundamentals began to deteriorate, so did the performance of the KLSE.

The continuous slide of the country's reserves and fears of Ringgit being re-pegged caused investors to exit the market. The terror attacks on the World Trade Centre and The Pentagon further devastated global equities as investors ran for cover while hope of economic recovery was dashed. Our market was closed for one trading day but the damage was more or less already been done. However, the global markets were quick to rebound following aggressive liquidity injections by central banks around the world. Thanks to efforts instilled by the Government to ensure sustained economic growth, the KLSE closed the year 2001 on a positive note with a gain of 2.4%.

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### Financial Performance

OSK Holdings Berhad Group (OSK) reported a 43.1% contraction in turnover to RM 192.0 million for the financial year ended 31 December 2001 (FY2001) from RM 337.5 million for the previous financial year ended 31 December 2000 (FY2000). The Group posted a pretax loss of RM 9.3 million as compared with the pretax profit of RM 61.7 million while net loss amounted to RM 12.2 million as compared with the net profit of RM 33.2 million in FY2000. Loss per share was 2.33 sen for FY2001. Net tangible asset as at 31 December 2001 stood at RM 1.53 as compared with RM 1.71 in FY2000.

### Dividend

The Board of Directors is recommending a final gross dividend of 2.5 sen per share for FY2001. Together with the interim gross dividend of 2.5 sen, the total gross dividend for FY2001 will be 5.0 sen per share compared with 12.5 sen per share in FY2000.





## Review of Operations

OSK Securities Berhad (OSKS) made a pretax profit of RM 3.9 million on revenue of RM 65.4 million for FY2001. Compared to the previous year, OSKS experienced a 59% and 90% contraction in revenue and pretax profit respectively as a result of reduced trading volume and value on the KLSE, which fell by 27% and 62% respectively. OSKS's business for FY2001 was also affected by the reduction in commission rates, which was implemented with effect from 1 September 2000. OSKS's commission mix was 73% from retail clients, 19% from institutional end-clients and 8% from foreign brokers.



OSK-UOB Unit Trust Management Berhad (OSK-UOB) made a pretax profit of RM 3.2 million. FY2001 was an eventful year for OSK-UOB as it launched two new funds to bring the total number of funds to six. TMT Focus Fund was launched on 18 August 2001 while the sixth fund, OSK-UOB Dana Islam was launched on 26 October 2001. TMT Focus Fund is basically a high growth fund aimed at companies involved in the growth sector of the new millennium, namely the telecommunications, media and technology sectors. OSK-UOB Dana Islam is another effort by OSK-UOB to cater for the niche market targeted for investments in approved securities in accordance with Syariah principles.

OSK Asia Corporation Limited recorded a net loss for the year of HK\$46.7 million. This was mainly attributable to HK\$19.6 million of operating loss resulting from 36% contraction in the market turnover on The Stock Exchange of Hong Kong Limited and a special provision of HK\$27.1 million of impairment loss in respect of its investment in I.T.&e Limited ("IT&e"). 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 restructured its management and businesses. The Board, however, has decided to reinstate the investment at its fair market value.

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## Corporate Developments

In line with OSK's corporate philosophy of "moving with times", OSK progressively strive to embrace new technology. In this respect, the Company acquired the entire issued and paid-up capital of Stock188.com Sdn Bhd for RM 1.11 million. The transaction was carried out via finexasia.com Sdn Bhd, a 52.81% owned subsidiary of OSK Venture Equities Sdn Bhd, which in turn is a wholly owned subsidiary of OSK.

OSKS is among the first stockbroking companies to be accorded with the prestigious Universal Broker status by the Securities Commission. With the Universal Broker status, OSKS aggressively established branches across the country to serve and reach out to its customers. Our second branch was established in Melaka on 27 March 2001 while the third branch commenced business operations in Penang with effect from 28 May 2001. OSKS's fourth and fifth branches located at Butterworth and Johor Bahru commenced business operations on 30 July 2001 and 20 August 2001 respectively. The sixth and seventh branches located at Kuantan and Kuching were established on 3 December 2001 and 10 December 2001 respectively.

OSKS also received the approval from the relevant authorities to commence operation as Corporate Financial Advisor under the Securities Commission (SC)'s Policies and Guidelines on Issues/Offer of Securities.

During the financial year, RM50 million from the 6% Irredeemable Convertible Loan Stocks (ICULS) and 3.5% Redeemable Unsecured Bonds (RUB) with Detachable Warrants B which was approved by the Securities Commission (SC) to be utilised as working capital has been utilised for that purpose.





As part of the Group's effort to raise profit contribution from various business units, OSK entered into an agreement with En Zainul bin Hassan to acquire a 10% stake in OSK Properties Sdn Bhd (OSKP) for RM 19.2 million cash. This will increase the Group's equity interest in OSKP from 80% to 90% and thus enabling OSK to further consolidate profit contribution from OSKP.

In order to revive the listing status of TCL Premier Holdings Berhad (TCL) on the KLSE in which OSK held 100% equity interest, OSK, on 24 October 2001, proposed to inject its 90% equity interest in OSKP into TCL for RM 172.8 million. This will enable TCL to obtain new core business, i.e. property development. OSK will no longer have a direct interest in property development and thus enabling the Group to comply with the condition previously imposed by the SC as well as the SC's requirements for the segregation of the stockbroking business and the property development business of the Group. Concurrently, OSK has also proposed to carry out a capital distribution of up to 48,998,000 ordinary shares of TCL to shareholders of OSK upon completion of the proposed disposal of OSKP to TCL. The proposed capital distribution of TCL shares is aimed at meeting the public shareholding spread requirements of the KLSE so as to facilitate the continuation of trading of TCL's shares on the KLSE. TCL will remain as a subsidiary of OSK but the Group's equity interest in the company will be reduced to 51%.



During the financial year ended 31 December 2001, OSK re-invested the dividends declared by OSK Asia Corporation Limited (OSKA), a subsidiary listed in Hong Kong to increase its shares held from 319,443,618 shares to 363,428,618 shares. As a result of the re-investment, the Company's shareholding in OSKA has increased from 53.24% to 60.57% and the total cost of investment has increased from RM 39,226,700 to RM 45,474,667.

## Prospects for 2002

After a relatively flat growth in 2001, the Malaysian economy is poised to register a stronger growth rate this year. The Government's effort to encourage more domestic consumption and its pump priming strategy is commendable. The Government has also announced various business friendly measures that are expected to boost growth in the economy this year. Growth for this year will also be driven by the expected recovery of the U.S. economy and thus enabling our external sector to record stronger activities in the second half.

Going forward, Malaysian equity market should perform well this year, driven by excess liquidity and improving fundamentals. With the removal of the exit levy, Malaysia is again back on the radar screen of foreign fund managers and should encourage these portfolio managers to divert some of their investments into our country.



The year 2002 will again be a busy year for OSKS. Located in Batu Pahat, our eighth branch was established on 18 March 2002. We are also in the midst of opening our branches which is situated at Kota Kinabalu, followed by an additional five branches in Miri, Sibul, USJ, SS2 and Klang respectively. Not resting on its laurels, the Group is continuously on the look out for new opportunities to expand its income base.

The era of Internet trading is here and OSK has geared itself to take full advantage of this new business tool to ensure that we are able to provide our valued clients with the right tools. OSK188, with its user-friendly features, is designed to equip investors with advanced technology that will allow them to keep pace with the development in the market and facilitate their investment decision-making.



### Acknowledgement

Our valued customers, shareholders and employees have contributed tremendously to the development of the Company. We are grateful for their support and confidence. On behalf of the Board of Directors, I extend my gracious gratitude to all our valued customers, shareholders and employees of the Group.

Your support and loyalty have enabled OSKS to become one of the premier and leading Universal Broker in Malaysia. The year 2002 will certainly be another challenging year for the stockbroking industry and with the continuous support from all, we are confident that OSK will grow stronger than ever.

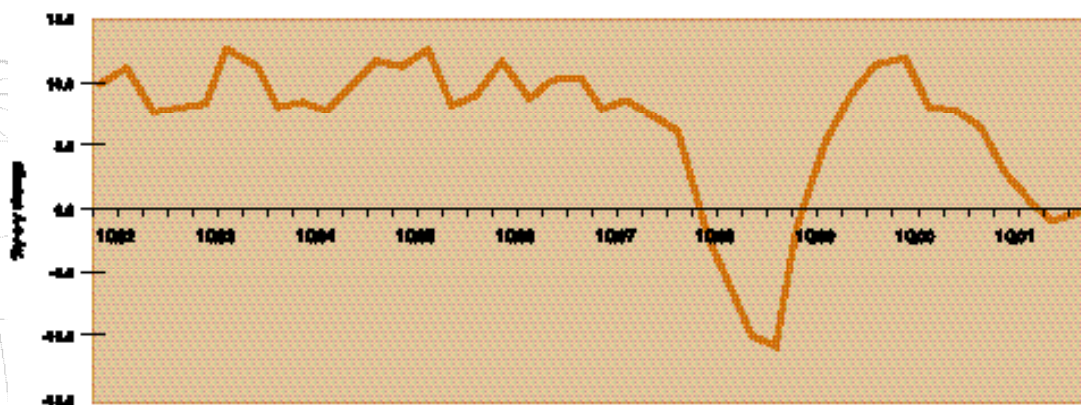
Dato' Nik Mohamed Din Bin Datuk Nik Yusoff  
Executive Chairman

29 March 2002



# The Malaysian Economy in 2001 And Outlook For 2002

**Real Gross Domestic Product**

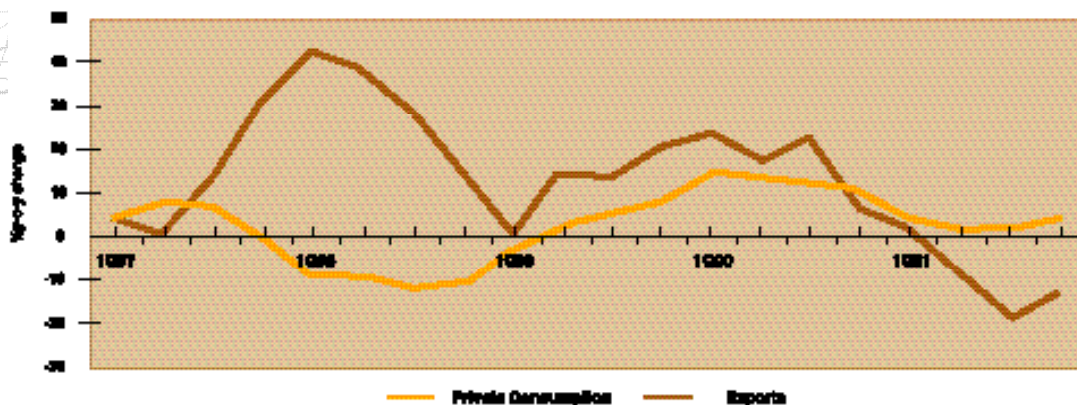


## Growth

The year 2001 has been a very difficult and challenging year for Malaysia. Changing global landscape and unforeseen events that unfold during the year have made the expected recovery all but more difficult to achieve. Exports tumbled from a double-digit growth of 22.4% in the first quarter of 2000 to a double-digit contraction of 19.2% and 13.2% in the third and fourth quarters of 2001. Private consumption also declined from 14.5% in the first quarter to a mere 3.5% in the fourth quarter. In the light of this, the government formulated policy measures that aimed to help cushion the slowdown in the export sector. These measures included a combination of fiscal and monetary policies that are supportive of growth.

On the fiscal front, policy remained expansionary with two supplementary fiscal stimuli announced during the year 2001 in addition to the allocation made in the annual 2001 budget. These two stimuli, which together added up to approximately RM7.3 billion or 2.3% of our GNP, helped Malaysia avoid a Singaporean style contraction in the economy. On the monetary front, the Bank Negara eased its intervention rate by 50 bps on 20th September 2001, allowing an even more accommodative environment.

**Exports and Private Consumption**

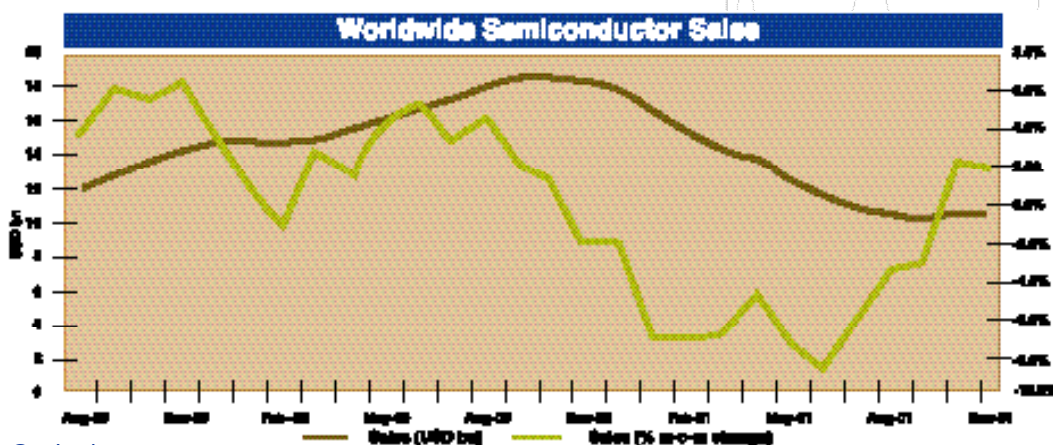




The strong performance of the domestic-led industries has also helped cushion the slowdown in the external sector. Capacity utilisation in the domestic-oriented industries was sustained at the 80% level. With only 57% of the total development expenditure spent in the third quarter of 2001, the domestic-oriented industries are expected to benefit from the spending of the balance of the development expenditure going forward. This should help growth in the first half of 2002. Growth will be stronger in 2002 with GDP growth expected at 4.5% from 0.4% in 2001. While growth in the first half 2002 will be domestic-led as government front-loading its development expenditure, growth in the second half will come from the stronger external sector. In line with stronger external sector, exports and manufacturing sectors are expected to grow by 5.5% this year.

## External Development

Undoubtedly, for a meaningful recovery in the Malaysian economy, exports need to pick up. The external environment during the year was daunting with the terrorist attack in the U.S. making the headline and clearly, this unfortunate event has disrupted the recovery process for the global economy. Japan after a short awakening, went into coma again owing to the ineffectiveness of its policy implementation in spurring growth. The Yen dipped south breaching the key support level of 134 Yen to U.S. dollar and Argentina defaulted in its debt repayment, sending ripple throughout the developing world. War in Afghanistan, tension in the middle-east and a new hot-spot in South Asia (India and Pakistan) further added complication to the already uncertain global economic landscape. While these developments posted an intimidating task for governments worldwide in their efforts to revive the economy, they have nonetheless forced a global-synchronous-liquidity injection, which in turn has brought optimism back. This has gone to indicate that liquidity-led recovery may be on the card this year. There are already signs that the export sector has bottomed in the third quarter of 2001. Improved activities should emerge in the first half of 2002, setting the stage for a stronger global demand in the second half of 2002.



## Outlook

Government fiscal and monetary policies are expected to remain expansionary and accommodative, providing easy and conducive environment for businesses. However, while the government policies are pro-business, it is insufficient for the economy to rely on the domestic activities to stage a strong rebound. In the medium term, growth remains underpinned to exports and more so to electronic and electrical exports. Already, there are signs that the semiconductor cycle has bottomed in the third quarter. This should bode well for our exports as electronic and electrical export made up more than half of our total exports. Improved economic conditions should allow policy focus to shift from managing short-term risks to formulating long-term strategies for sustainable growth. The policy focus is expected to target at reforms in the various sectors, strengthening the financial system, improving productivity, enhancing competitiveness and developing a knowledge-based economy. These factors should set the stage for Malaysia to leap forward into the next decade of sustainable growth in the light of globalisation of economies.



## Stock Market Review 2001

The year 2001 will go down in history as one of the worst years to be in equities as global equity markets experienced one of the largest contractions in percentage term. Even the loose monetary policy adopted by most central banks around the world, inclusive of the eleven rate cuts by the Federal Reserve, failed to lift equity markets as the flight to quality took a centre stage.

Just when the global economic picture began to turn positive, the September 11 terrorist attacks on the U.S. made an impact on global markets as the *Dow* experienced its largest one-day drop in points while other markets tumbled as investors ran for cover.

In terms of relative performance, both the *Dow* and *Nasdaq* fell by 7% and 21% respectively in 2001. In the last two years alone, these two markets have fallen by 13% and 52% respectively.

Asian bourses were mixed with more developed markets experiencing steeper falls while lesser developing markets had mixed results. The South Korean *KOSPI* and Thai *SET*, which were among the worst performing markets in 2000, put on a credible show in 2001 and emerged as two of the best performing markets in Asia last year. Singapore, Japan and Hong Kong were among Asia's worst performing markets as their over dependence on the U.S. resulted in severe economic contractions for these countries.

The slowdown in the U.S. economy had a contagion effect not only on Malaysia but globally. Asia, whose growth is largely dependent on exports, suffered a severe blow as U.S. ability to import was reduced drastically during the course of the year. The severe blow to global economies came on September 11 as the impact of the terror attacks dashed any hope of a recovery not only in the U.S. but globally.

As for the local bourse, the KLSE experienced a run-up in the beginning of the year, which witnessed the benchmark Kuala Lumpur Composite Index (KLCI) hitting the year's high of 736.34 points on 2 February 2001. The initial public offering (IPO) of TIME dotCom Bhd, the largest IPO in recent times, generated little interest with its shares undersubscribed by 75%.

With the euphoria on the market not supported by fundamental factors, it was only a question of time before the market began its downward trend. Poor Industrial Production Index, dwindling reserves and poor trade data were good enough reasons for investors to exit the market. As regional currencies turned bearish, and Malaysia's international reserves trending lower, the nation's Ringgit peg was under scrutiny in the month of April and stock market tumbled to the year's low of 553.34 points.

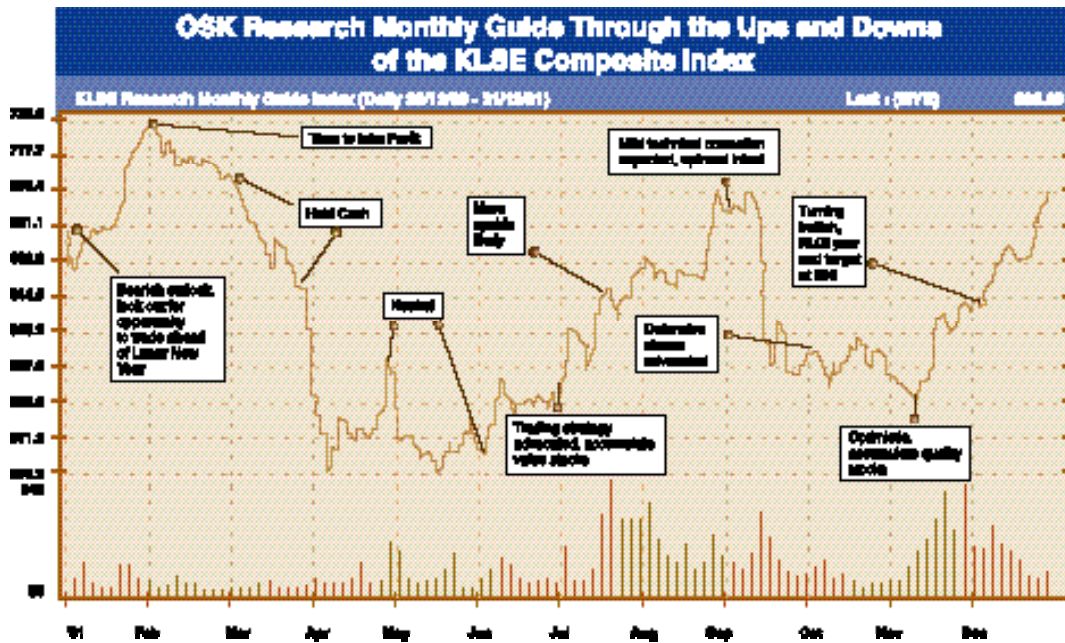
However, the market rebounded in May as Malaysia announced that the 10% exit levy would be removed with effect from 2 May 2001. However, the rally in May was short-lived as market players took the opportunity to take profit. Foreign investors were seen exiting the market due to the reduced weighting on the widely followed Morgan Stanley's MSCI Indices.

Despite the resignation of Tun Daim Zainuddin as Finance Minister in early June, our market was full of excitement. A wave of corporate mergers and takeover took place in June/July and to top it all up, the Government announced plans to take one of Malaysia's largest companies, United Engineers (M) Bhd (UEM), private. The chain of mergers and acquisition kept the market momentum alive and foreign investors were seen accumulating quality stocks in anticipation of improved corporate governance and transparency. Despite reporting a poor 0.5% growth in GDP in August, the market celebrated Malaysia's second quarter data as it was better than expected. Just when things were beginning to lookup for the Malaysian stock market, tragedy struck. The devastating destruction of the World Trade Centre in the U.S. caused havoc across global equity markets and Malaysia was no exception. Although the market was closed for a day, the stock market experienced severe price corrections as investors ran for cover. In anticipation of a favourable Budget 2002, share prices on the KLSE began its upward climb in October.





The last couple of months on the KLSE was interesting as the "war on terror" was slowly won by U.S. led forces in Afghanistan. As global markets began to recover from post 9-11 lows, our market too rallied. December was one of the best months for the KLSE as the benchmark KLCI rose in anticipation of a better 2002 and window dressing activities by fund managers.



Country	Index	Index as at End of 2000	Index as at End of 2001	Change YTD
Korea	KOSPI	504.88	498.79	-1.2%
Thailand	SET	282.19	303.88	7.7%
Malaysia	KLCI	278.94	268.50	-3.7%
Taiwan	TWSE	5,553.81	5,551.24	-0.0%
Indonesia	JCI	418,318	362,038	-13.5%
US	Dow Jones	10,799.85	10,021.53	-7.2%
Singapore	STI	1,629.83	1,623.89	-0.4%
UK	Headex	2,470.82	1,982.43	-20.1%
Philippines	PCEMP	1494.53	1,199.98	-20.4%
Japan	Nikkei	13,765.88	10,542.82	-23.5%
Hong Kong	Hang Seng	16,044.81	11,287.81	-30.0%



## Sectoral Performance

The Kuala Lumpur Composite Index closed the year with a gain of 2.4% to 696.09 points from 679.64 points a year ago. However, the overall market performed better than the 100-stock index with the *Emas* Index gaining 3.4%. *Second Board* stocks continued to be shunned by investors as it only gained 0.9% in 2001.

KLSE	20 Dec 00	21 Dec 01	% Change
<b>Composite</b>	<b>679.64</b>	<b>696.09</b>	<b>2.4</b>
<b>Emas</b>	<b>166.77</b>	<b>166.23</b>	<b>3.4</b>
<b>2nd Board</b>	<b>132.66</b>	<b>134.13</b>	<b>0.9</b>
<b>Plantations</b>	<b>1,361.80</b>	<b>1,615.90</b>	<b>18.6</b>
<b>Consumer</b>	<b>146.58</b>	<b>167.14</b>	<b>14.0</b>
<b>Construction</b>	<b>156.28</b>	<b>177.26</b>	<b>13.5</b>
<b>Industrial</b>	<b>1,217.28</b>	<b>1,348.20</b>	<b>10.8</b>
<b>Mining</b>	<b>193.38</b>	<b>204.09</b>	<b>5.5</b>
<b>Technology</b>	<b>53.09</b>	<b>54.84</b>	<b>2.3</b>
<b>Trading/Services</b>	<b>103.32</b>	<b>105.16</b>	<b>1.8</b>
<b>Finance</b>	<b>5,070.80</b>	<b>5,095.70</b>	<b>0.5</b>
<b>Property</b>	<b>832.54</b>	<b>809.54</b>	<b>(5.2)</b>
<b>Average Daily Value (RM/m)</b>	<b>910.28</b>	<b>348.00</b>	<b>(61.7)</b>
<b>Average Daily Volume (m)</b>	<b>279.84</b>	<b>203.90</b>	<b>(27.1)</b>

By sectors, the performance of the KLSE Plantation Index, which rose by 18.6% during the year, outperformed other sectors, thanks largely to the improved fundamentals as a result of rising crude palm oil prices. Double-digit gains were also posted by the KLSE Industrial Index, KLSE Construction Index and the KLSE Consumer Index which gained of 10.8%, 13.5% and 14.0% respectively. The strong performance of the Consumer sector could be attributed to the defensive nature of the sector given the uncertainties that prevailed during the year. All other sub-indices of the KLSE posted gains except for the KLSE Property Index, which fell by 5.2% in 2001. The property sector continued to be affected by oversupply in certain sub-sectors although residential properties in selective areas are still doing well.

## BIGGEST GAINERS

Stock Name	% Change	Closing Price @21 Dec 01 (RM)
<b>General Soil Engineering</b>	<b>440.8</b>	<b>8.80</b>
<b>Sinagah Resources</b>	<b>365.0</b>	<b>3.86</b>
<b>Innovest Bhd</b>	<b>142.4</b>	<b>0.40</b>
<b>YTL Cement</b>	<b>130.2</b>	<b>2.48</b>
<b>Magne Prime</b>	<b>129.2</b>	<b>2.12</b>
<b>Cement Industries Malaysia</b>	<b>112.8</b>	<b>3.70</b>
<b>Amendah Capital Partners</b>	<b>106.8</b>	<b>1.53</b>
<b>Crest Petroleum</b>	<b>102.1</b>	<b>3.84</b>
<b>Inch Kenneth Kajang</b>	<b>100.0</b>	<b>20.65</b>
<b>Sunway Construction</b>	<b>94.0</b>	<b>1.64</b>



Although the Second Board Index was generally flat in 2001, *General Soil* and *Sinmah Resources* topped the gainers for last year with a whopping 441% and 366% gain respectively. Main Board's best performer was *Innovest Bhd* with a gain of 142% in 2001 as the company was among the first to be out of the KLSE Practice Note 4/2001 list. Cement stocks performed well too in 2001, mainly driven by anticipation that *YTL Cement* would buy *CIMA* under a plan by *UEM/Renong* to dispose off its non-core holdings. *Amanah Capital's* performance was helped by a mandatory general offer by *MIDF* to acquire the former while *Inch Kenneth Kajang* made it to the top 10 list thanks largely to its proposed disposal of its landbank. *Crest Petroleum* and *Sunway Construction* performance in 2001 could largely be attributed to award of new contracts, which basically enhances these companies' outlook going forward.

## BIGGEST LOSERS

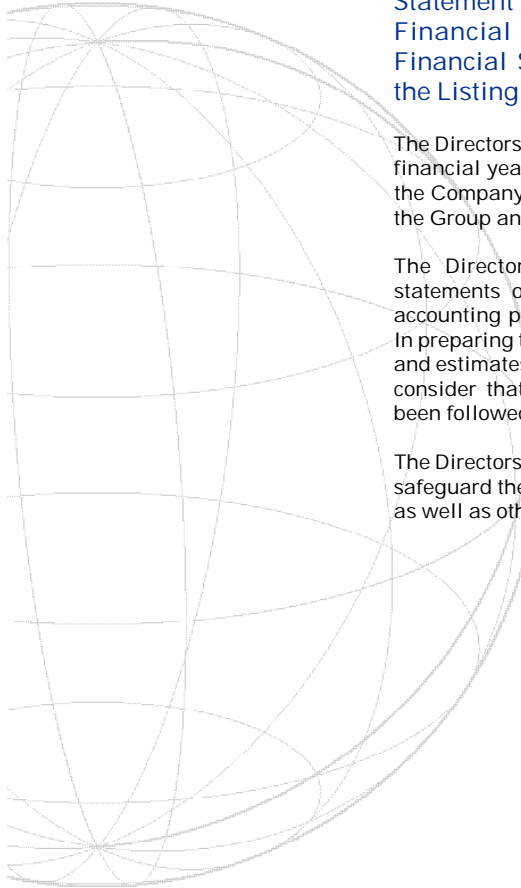
Stock Name	% Change	Closing Price @31 Dec 01 (RM)
<b>MOL.COM Bhd</b>	(66.2)	1.48
<b>Lion Corporation</b>	(52.9)	0.43
<b>CME Group</b>	(52.1)	1.00
<b>Neutcelink</b>	(50.1)	0.83
<b>Hotline Furniture</b>	(49.8)	0.51
<b>Aokam Perdana</b>	(47.5)	0.085
<b>C8M Corporation</b>	(45.2)	0.00
<b>Stasiun Televisyen (ST)</b>	(45.1)	0.63
<b>Mening Corporation</b>	(34.0)	0.575
<b>NEXNEWS.COM</b>	(33.3)	1.93

A look at 2001 losers suggest that investors basically avoided troubled companies and companies which performed well in the preceding year. *MOL.COM Bhd*, a star performer in 2000, with a gain of 262%, fell by 66% in 2001 while *NEXNEWS.COM* fell by 53% after rising by 102% in 2001. These companies were also seen as victims of the tech meltdown as investors around the globe generally avoided the sector. *Lion Corporation* too made it to the infamous list as the group's wide restructuring plan is still not completed while *Aokam Perdana* has the distinction of being on the top ten losers list for the second year running due to financial difficulties faced by most timber-based companies.





# Statement of Directors' Responsibilities



Statement of Directors' responsibilities in relation to Financial Statements (in respect of the audited Financial Statements pursuant to Paragraph 15.27 of the Listing Requirement)

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 2001, appropriate accounting policies have been adopted and applied consistently. In preparing these statements, the Directors have made statements and estimates that are reasonable and prudent. The Directors also consider that all relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors have a general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.



# Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2001.

## Membership

The Committee shall be appointed by the Board from amongst the Directors of the Company, a majority of whom must be independent. At least one member of the Committee:

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and
  - he must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act, 1967.

The members of the Committee shall elect the Chairman from among their number who shall be Independent Director.

The following Directors have been appointed by the Board as members of the Committee:

Name	Designation
Dato' Mohamed Tarmizi Bin Mohd Tahir (Independent Non-Executive Director)	Chairman
Dr Choong Tuck Yew (Independent Non-Executive Director)	Member
Mr Wong Chong Kim (Executive Director)	Member

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## Terms of Reference

a) Review and report to the Board of Directors:

- with the external auditor, the audit plan;
- with the external auditor, his evaluation of the system of internal controls;
- with the external auditor, his audit report;
- the assistance given by the employees of the listed issuer to the external auditor;
- the adequacy of the scope, functions and resources of Internal Audit functions and that it has the necessary authority to carry out its work;
- the Internal Audit programme, processes, the results of the Internal Audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function;



- the quarterly results and year end financial statements, prior to the approval by the Board of Directors focusing particularly on:
  - changes in implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
- any related party transactions and conflict of interest situation that may arise within the listed issuer of the group including any transaction, procedure or course of conduct that raises questions of management integrity;
- any letter of resignation from the external auditors of the listed issuers; and
- whether there is reason (supported by grounds) to believe that the listed issuers' external auditor is not suitable for reappointment; and

(b) Recommend the nomination of a person or persons as external auditor.

### Authority

The Audit Committee shall:

- have the authority to investigate any activity of the company and its subsidiaries within its terms of reference, and all employees are directed to cooperate as requested by members of the audit committee;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the company within its terms of reference;
- have direct communication channels with the external auditors and persons performing the internal audit function or activity;
- be able to obtain independent professional or other advice within its terms of reference; and
- be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

### Attendance At Meetings

During the financial year ended 31 December 2001, the Audit Committee held a total of four (4) meetings. The details of attendance of the Committee members are as follows:

Name of Committee Member	No of meetings attended
Dato' Mohamed Tarmizi Bin Mohd Tahir	2 / 4
Mr Wong Chong Kim	4 / 4
Dr Choong Tuck Yew ( <i>appointed w.e.f 29.6.2001</i> )	2 / 4
Mr Loh Siew Cheang ( <i>resigned w.e.f 29.6.2001</i> )	1 / 4
Mr Loy Tuan Bee ( <i>resigned w.e.f 29.6.2001</i> )	1 / 4

As main activities of the Group are conducted at the subsidiaries, an Audit Committee (AC) has also been set up at one of the principal subsidiaries during the year. One meeting has been held and all members attended the meeting except for Dato' Mohamed Tarmizi Bin Mohd Tahir.

Head of Internal Audit, Head of Group Finance and Accounts, Executive Director of Compliance and the representatives of the external auditors, are invited to attend the Committee meetings. The Company Secretary shall be the Secretary to the Audit Committee.



## Summary of Activities

During the year under review, the following were the activities of the Audit Committee:

- Reviewed and discussed the observations, recommendations and Audit Report and the Management's comments in respect of the issues raised by the External Auditor on their evaluation of the system of internal controls;
- Reviewed the staffing requirements of the Internal Audit Department (IAD) to ensure that the IAD is adequately staffed by employees with the relevant skills, knowledge and experience to enable the IAD to perform its role including the provision of training.
- Reviewed the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Reviewed the appraisal or assessment of the performance of the staff of the internal audit function, approve any appointment or termination of senior staff and to be informed of resignation of any internal audit staff members;
- Reviewed and discussed the internal audit reports. The Committee was briefed by the Head of Internal Audit that in a few instances, the audit process identified certain control and operational weaknesses which were brought to the attention of the management, and that adequate corrective action had been taken to rectify the weaknesses;
- Reviewed the quarterly and year end financial statements and ensured that the financial reporting and disclosure requirements of relevant authorities had been complied with, focusing particularly on:
  - changes in implementation of major accounting policy changes;
  - the going concern assumptions;
  - significant adjustments resulting from audit;
  - major judgemental areas, significant and unusual events; and
  - compliance with accounting standards and other legal requirements.
- Reviewed the related party transactions and conflict of interest situation that may arise within the Company or Group including any transactions, procedures or course of conduct that raise questions of management integrity which were incurred during the financial year, were done in the ordinary course of business.

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## Internal audit

The Board recognises the importance of the internal audit function and the independent status requires for it to carry out the job effectively. Therefore, in order to establish an effective system of internal control, the Internal Audit Department (IAD) has been established by the Board since 1994. In the year 1999, the Board has set up Information Technology (IT) Audit after considering the advancement of IT technology applicable to the financial industry. It is the duty of the Audit Committee (AC) and the Board to ensure that sufficient staff has been allocated to this department.

The IAD has introduced a risk based auditing approach with a risk focused audit programme during the year and all the principal risks are being established and mapped with the existing system of internal control. The IAD will carry out its duties according to the audit plan, and areas of concern that need further improvement is highlighted in the audit report and discussed in the AC meetings openly. Mandate has been given to the respective operation heads to ensure that such area of weaknesses are looked into promptly and rectifications and the appropriate improvements are implemented accordingly.

The Board has via the AC evaluated the effectiveness of the IAD by reviewing the results of its work in the AC meetings.



# Corporate Governance

The Board of Directors of OSK ("the Company") recognises and subscribes to the importance of the principles and best practices set out in the Malaysian Code of Corporate Governance ('the Code') as a key factor towards achieving an optimal governance framework and maximising the shareholders' value of the Company.

With this in mind, measures and efforts have and shall be taken to ensure as far as practicable the adoption and implementation of the Code's Best Practices and the Listing Requirements of the Kuala Lumpur Stock Exchange ('the Listing Requirements') in the Company's governance.

## A. The Board

The Board's principal responsibilities are to determine the strategic direction of the Company and to oversee the conduct of the Company's business to evaluate whether the business is being managed properly.

True to the spirit of the Code, the Chairman and Chief Executive Officer/Managing Director of the Company are different persons with accepted division of responsibilities.

The Board currently consists of nine Directors, three (1/3) of whom are Non-Executive. The Non-Executive Directors are persons of calibre and credibility with the ability to exercise independent judgement to the Board without fear or favour.

Two of the Non-Executive Directors are independent. The role of the Independent Directors in the Company is vital to ensure that any decision of the Board is deliberated fully and objectively with regard to the long term interest of all stakeholders.

In line with the Listing Requirements that require one third of the Board to be independent, the Company through the Nomination Committee is currently looking into appointing an additional suitably qualified Independent Non-Executive Director.

The current composition of the Board contributes extensive experience and expertise to the Company in the areas of stockbroking, finance, accounting, economics and law. The profiles of all members of the Board are set out in the Directors' Profile appearing on Pages 10 to 13 of the Annual Report.

All the Directors of the Company have attended and completed the Mandatory Accreditation Programme prescribed by the KLSE for Directors of Public Listed Companies.

Currently, the newly formed Nomination Committee, comprising a majority of Independent Non-Executive Directors recommends all appointments to the board. Details of the Nomination Committee are set out on Page 33 of this Annual Report.

During the financial year in review, the board met 7 times. Details of the Director's attendance at such meetings are as set out below:

Directors	Total No of Meetings	No of Meetings Attended
1. Dato' Nik Mohamed Din Bin Datuk Nik Yusoff	7	6
2. Ong Leong Huat @ Wong Joo Hwa	7	7
3. Dato' Nik Mohamed Bin Nik Yahya	7	7
4. Wong Chong Kim	7	7
5. Chin Cheng Mei (resigned w.e.f. from 22.04.2002)	7	7
6. Wong Chong Che	7	7
7. Dato' Mohamed Tarmizi Bin Mohd Tahir	7	4
8. Gan Neap Kai	7	5
9. Dr Choong Tuck Yew (appointed on 29.06.2001)	3	3
10. Loy Tuan Bee (Alternate Director to Loh Siew Cheang)	4	4



## B. Supply of Information

Directors are provided with Notices and Board papers prior to Board meetings to give Directors time to deliberate on issues to be raised at meetings.

All Directors have direct access to the services of the Company Secretary and to the Senior Management. Independent professional advice is also made available to the Directors in furtherance of their duties in the event such services are required.

## C. Remuneration of Directors

The Directors' fees are approved by the shareholders at the Annual General Meeting. At present, a Remuneration Committee comprising a majority of Independent Non-Executive Directors has been set up to recommend the remuneration of the Executive Directors to the board.

The particulars of the remuneration range of the Directors of the Company are as follows:

	Executive RM	Non-Executive RM	Total RM
<b>Amount received/receivable from the Company:</b>			
Fee	60,000	26,000	86,000
<b>Amount received/receivable from subsidiary companies:</b>			
Fee	65,000	3,300	68,300
Bonus / Incentive	375,050	-	375,050
Salaries	2,234,400	-	2,234,400
	2,674,450	3,300	2,677,750
<b>Benefits-in-kind</b>	89,046	3,600	92,646

The number of Directors of the Company in each remuneration band for the financial year ended 31 December 2001 are as follows:

	Executive RM	Non-Executive RM	Total RM
<b>Group</b>			
RM50,000 and below	-	3	3
RM50,001 - RM100,000	1	-	1
RM200,001 - RM250,000	1	-	1
RM300,001 - RM350,000	1	-	1
RM350,001 - RM400,000	1	-	1
RM550,001 - RM600,000	1	-	1
RM1,200,000 - RM1,250,000	1	-	1
	6	3	9

Details of the Remuneration Committee are set out on Page 32 of this Annual Report.



## D. Relations with Shareholders

The Board has always recognised the importance of accurate and timely dissemination of information to its shareholders and potential investors. In addition, the maintenance of an effective communication policy between all members of the public and the Company is also of primary importance.

The main methods with which this is achieved are:

- (a) Timely and accurate disclosures and announcements made to the KLSE.
- (b) The Annual General Meeting. This is the principal forum of dialogue with the shareholders whereby ample opportunities are given to all shareholders to raise any issues pertaining to the Company as deemed fit.
- (c) The Group Corporate Communications Unit in the Company which amongst others addresses any inquiries that the public may have in respect of the Company.
- (d) Company's web site at [www.osk.com.my](http://www.osk.com.my)

## E. Accountability and Audit

### Financial Reporting

The Board takes responsibility for presenting a balanced, clear and understandable assessment of the Group's financial positions and prospects in the annual financial statements to the shareholders, investors and regulatory authorities.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 90 of this Annual Report.

### Internal Control

The setting up of an effective system of internal control is a primary responsibility of the Board of Directors in ensuring a proper risk management environment. With this, the Board has ensured that the system of internal control which has already been put in place, takes into account the process of identifying the principal risks, the likelihood of occurrence, the materiality and adequacy of the internal control associated with these risks.

The Board of Directors recognises that risks cannot be eliminated completely, however, with the implementation of a proper system of internal control, the Directors and Senior Management of the Group aim to provide reasonable assurance against material misstatements, losses and frauds.

In order to ensure that the system of internal control remains effective, efficient and is being monitored adequately and enhanced as and when the need arises, the Board has set up an Internal Audit Department (IAD), which is completely independent from all the operations departments, to perform regular reviews and examinations of the existing activities in accordance to compliance and risk management requirements. The IAD reports directly to the Audit Committee of which majority of the members are Independent Directors.

The Board has also set up the Risk Management and Compliance Departments to review on regular basis, the effectiveness of the risk policies as well as compliance to the regulatory requirements.

### Relationship with Auditors

The Board has via the Audit Committee (AC) established formal and transparent relationship with both the internal and external auditors. Both auditors have been invited to attend and present their audit results in AC meetings, where key issues concerning the independence and objectivity of the auditors, have also been stressed in the meeting. In addition, the AC takes responsibility to ensure that adequate resources are allocated and provided to the internal auditors to carry out their duties according to the annual audit plan.





## F. Sanctions and/or Penalties Imposed

The Company is not aware of any sanctions/penalties imposed on the Company, its subsidiaries, directors or management by the relevant regulatory bodies that have been made public.

## G. Material Contracts involving Directors' and major Shareholder's Interest

The following are the particulars of the material contracts still subsisting at the end of the financial year:

- (1) Project Management Services Agreement dated 30 June 1999 entered between OSK Properties Sdn Bhd, a subsidiary of the Company, and PJD Management Services Sdn Bhd ('the Project Manager') appointing the Project Management services for Phase 1 of the development of the land held under Lot 18479 and 14215, Mukim Sungei Petani, Kedah Darul Aman into a housing and commercial development comprising housing estates and commercial areas together with all ancillary and related development ('the Development Project') for a period of three years commencing 1 July 2000 at the fee of RM50,000.00 per month subject to the terms and conditions of the Agreement.

### Relationship

The Project Manager is a wholly owned subsidiary of PJ Development Holdings Berhad ('PJD'), a construction company listed on the Main Board of the Kuala Lumpur Stock Exchange. PJD is a substantial shareholder of OSK. Mr Ong Leong Huat ('OLH'), Mr Wong Chong Kim ('WCK') and Mr Wong Chong Che ('WCC') Directors of the Company, are the brothers of Mr Wong Ah Chiew (WAC') and Mr Wong Chong Shee who are Directors of PJD. WAC is also a Director of the Project Manager. Madam Khor Chai Moi, a Director of PJD and the Project Manager, is the wife of OLH.

Dato' Mohamed Tarmizi Bin Mohd Tahir is Independent Non-Executive Director of both the Company and PJD.

- (2) Power of Attorney dated 24 August 1999 granted by OSK Properties to the Project Manager to do and execute any or all the acts, deeds and documents in connection with the Development Project.

### Relationship

As described in (1) above.

- (3) Supplemental Project Management Services agreement dated 10 November 2000 entered between OSK Properties Sdn Bhd and the Project Manager in respect of the continued appointment of the Project Manager for Phase 1, Phase 2 and other Phases of the Development Project mentioned in (1) above for an extended period of 52 months commencing from 1 July 1999 at an increased fee of RM75,000.00 per month with effect from 1 October 2000.

### Relationship

As described in (1) above.

- (4) Power of Attorney dated 10 January 2001 granted by OSK Properties Sdn Bhd to the Project Manager to do any or all acts, deeds and documents in connection with Phase 2 and all other phases of the Development Project mentioned in (1) above.

### Relationship

As described in (1) above.





## H. Board Committees

There are three committees established to assist the Board in the discharge of its duties, namely the Audit Committee, Remuneration Committee and the Nomination Committee.

### Audit Committee

Particulars of the Audit Committee are at page 25 of this Annual Report.

### Remuneration Committee

#### Composition

- |          |   |  |
|----------|---|--|
| Chairman | - | Dato' Mohamed Tarmizi Bin Mohd Tahir – Independent Non-Executive Director                                  |
| Members  | - | Dr Choong Tuck Yew – Independent Non-Executive Director<br>Mr Ong Leong Huat – Group Managing Director/CEO |

#### Authority

The Committee is granted the authority to recommend to the Board of Directors the remuneration of the Executive Directors in all its forms.

#### Frequency of Meeting

The Committee is to meet at least once a year.

#### Terms of Reference

- To review that the existing level of remuneration of Executive Directors is compatible with their corporate and individual performance.
- To recommend to the Board of Directors the remuneration of Executive Directors which is structured to link rewards to corporate and individual performance. Executive Directors should play no part in decisions on their own remuneration.
- In the case of Non-Executive Directors, the level of remuneration shall reflect the experience and level of responsibilities undertaken by the particular Non-Executive concerned. Determination of remuneration packages shall be a matter for the Board as a whole. The individual(s) concerned shall abstain from discussion of their own remuneration.
- The Company shall establish a formal and transparent procedure on executive remuneration and fix the remuneration packages of individual Directors.



## H. Board Committees (Cont'd)

### Nomination Committee

#### Composition

Chairman	-	Dato' Mohamed Tarmizi Bin Mohd. Tahir – Independent Non-Executive Director
Members	-	Dr Choong Tuck Yew – Independent Non-Executive Director

#### Authority

The Committee is granted the authority to propose new nominee(s) for the Board and to assess Directors on an on going basis and is obliged to report its recommendations back to the full board for its consideration and implementation. The actual decision as who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

#### Frequency of Meeting

The Committee is to meet at least once a year.

#### Terms of Reference

- To recommend to the Board, the candidates for all directorships to be filled by the shareholders or the Board.
- To consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive(s) or any Director(s) or shareholder.
- To recommend to the Board, the Director(s) to fill the seat(s) on Board Committees.
- To review annually the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.



# Statement On The State Of Internal Control

## 1. Nature of Principal Risks

Risk is an inherent part of the business that the Company conducts. It need not necessarily be viewed as a threat or a liability but can represent opportunities when properly managed. At OSK, we aim to manage risks as opportunities, balanced by their appropriate returns, while emphasizing the protection of shareholders' wealth. In our day-to-day business, the Company is exposed to a multitude of risks. These risks can be broadly categorized into credit risk, market risk and operational risk to facilitate a systematic method of risk management.

- **Credit Risk**  
Credit risk is the risk of economic loss due to the failure of a counterparty to fulfill its obligations under a contractual agreement with the Company. At OSK, credit risk comes, mainly in the form of settlement risk, margin financing default risk, concentration credit risk and credit assessment risk.
- **Market Risk**  
Market risk is the risk of potential losses due to changes in the market value of financial assets held by the Company. Market risk normally stems from equities, fixed-income, commodities and foreign exchange. The market risk that OSK is exposed to, stems mainly from equities by virtue of our activities in underwriting, investments and trading.
- **Operational Risk**  
Operational risk is the risk of opportunity cost or economic loss due to inadequate systems, controls, error, or other management failures that does not relate to strategic, credit or market activities. Like other companies, the operational risks that OSK is exposed to, are numerous and multi-faceted. Therefore, operational risk management at OSK require a balance of prioritization and cost effectiveness management. The main sources of operational risks are from the management of the information technology systems, the dealing and settlement processes, funding liquidity management, regulatory compliance, legal and reputation.

## 2. The System of Internal Control and Governance Structure

The principal business activity of the Group is stockbroking, complemented by unit trust, futures trading and properties development. OSK has been in the stockbroking business for the past 39 years and the system of internal control at the Company has evolved along with business needs and financial markets developments. Our system of internal control consists of different functions focused on addressing and managing different key risk areas as well as coordinating with and complementing other functional components that make up the entire system of internal control. Most of these controls are actually embedded in the business and operational processes of different departments and business units of the respective subsidiaries.

- **The Board of Directors**  
The Board of Directors has been appointed by the shareholders and is ultimately responsible for the profitability, as well as, the risks undertaken by the management of the Company. It is the Board's responsibility to ensure that a comprehensive system of internal control is in place to manage the risks the Company is exposed to, in our day-to-day business. It is also the Board's responsibility to review the adequacy and the effectiveness of the system of internal control at the Company.

The Board maintains oversight and evaluates the adequacy and the effectiveness of the entire system of internal control through the two sub-committees within the Board, namely the Audit Committee and the Risk Management Committee. These committees, in turn, carry out their functions through the Group Internal Audit Department and the Risk Management Department respectively.



## 2. The System of Internal Control and Governance Structure (Cont'd)

- **The Internal Audit Function**

The Internal Audit function begins with the Audit Committee, in which the members are also part of the Board of Directors, and effect its function through the Group Internal Audit Department. The Group Internal Audit Department is primarily charged with the responsibility to review the adequacy and effectiveness of the Company's system of internal control. Through its frequent audits of the various departments operating within the Company, the Group Internal Audit Department is able to verify and review the adequacy and the effectiveness of the different parts of the Company's system of internal control. Via this role, the Group Internal Audit Department also performs an important complementing function by assisting the Risk Management Department in operational risk management.

A risk based auditing approach with a risk focused audit programme has been introduced during the year and all the principal risks are being identified, evaluated, prioritised, mapped with the existing system of internal control.

- **The Risk Management Function**

The Risk Management function begins with the Risk Management Committee, which is appointed by the Board of Directors at the principal subsidiary, and effect its duties through the Risk Management Department. The Risk Management Department is primarily charged with the responsibility to assist the management of the Company to undertake and manage the appropriate levels of risks necessary to achieve our business and financial objectives while emphasizing the protection of our shareholders' wealth. It is the coordinating body which serves as the management tool to assist the Board of Directors and the management of the Company to be aware of, understand, and acknowledge the overall risk profile the Company has undertaken in order to make well-informed and timely decisions.

The Risk Management Committee, via its New Product Sub-Committee, also serves as the "gatekeeper" of new risks that the Company may undertake from the introduction of new products or new business activities.

- **The Credit Control Function**

The Credit Control and Supervision Department (CCSD) plays the pivotal role in the overall monitoring and control function of the Company's credit risk. It serves as the 'gatekeeper' and manages the Company's exposure to trading, settlement, counters and clients concentration as well as default credit risks with the inception of in-house credit policies, procedures and guidelines in addition to the regulatory rules and guidelines drawn up by the authorities from time to time via our very own Back Office System (BOS) and the Broker Front End (BFE) of the KLSE. Besides, the Company's exposure to concentration credit risk associated with in-house margin financing facility is also under the purview of the department.

- **The Compliance Function**

The Compliance function has been set up in subsidiaries that operate under the jurisdiction of the Securities Commission and Exchanges such as KLSE and MDEX. The main responsibility of the Compliance function is to ensure that the Company and the actions of its employees are in compliance with the rules and regulations which governs the Company and the activities that the Company engages in. This responsibility is executed through its compliance guidelines on the policies and procedures of respective departments and as well as through its compliance reviews.



## 2. The System of Internal Control and Governance Structure (Cont'd)

- **Other Risk Control Functions**

Risk control functions are departments primarily involved in the control of risk. These may involve any of the activities of identifying, assessing, monitoring and managing risks that the Company undertakes in our business activities. Besides, the main risk control functions described above, there are a number of other departments which are involved in risk control functions in addition to their support functions within the Company. One such department is the Group Finance and Accounts Department which, in addition to their main function, is also responsible for the funding liquidity risk management at the Company. Other departments involved in risk control activities are the Information Technology Department and the Operations Department.

- **Risk Origination Functions**

Risk originating functions are basically, departments or business units engaged in activities which adds to the risks undertaken by the Company. These activities includes underwriting, proprietary investments and trading, margin financing as well as sales and dealing. Departments and business units undertaking any of these activities have their respective policies and procedures to manage the risks generated from their business activities. They form the first line of defense in the overall management of risk at the Company, while the other main risk control functions like risk management, credit control, compliance and internal audit ensures the adequacy and effectiveness of these policies and procedures as well as coordinate the overall risk management function.

## 3. The Current State of the System of Internal Control

The system of internal control at the Company has evolved together with the progress and the need of the Company, as well as, with developments in the financial markets. Over the years, many improvements have been developed and implemented to overcome inadequacies and to improve the effectiveness of the system. Many parts of the current system has already been in place prior to the beginning of the year under review but certain parts like the Risk Management function, including the Risk Management Committee and the Risk Management Department, has been implemented progressively during the year.

The Board believes that the system of internal control at the Company is adequate and has been effective in its function, as demonstrated by the track record for the year under review. There has been no major breakdown of the system of internal control that cause any material losses due to inadequacy or the ineffectiveness of control system. However, while the Board believes that the system in place, is adequate and has been effective, even the best of systems can only provide a reasonable but not an absolute assurance against losses. Moving forward, the Company will endeavour to continue improving and enhancing the system of internal control already in place at the Company.