

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

### RESULTS AND APPROPRIATIONS

Details of the Group's results and appropriations for the year are set out in the consolidated income statement on page 19.

### SHARE CAPITAL

During the year, the Company issued and allotted 31,000,000 ordinary shares of HK\$0.10 each at HK\$0.25 per share as part of the consideration to acquire 66% interest in Century 21 Hong Kong Limited ("Century 21").

The Company issued and allotted 420,930,600 ordinary shares of HK\$0.10 each by way of rights issue to the existing shareholders in the proportion of one rights share for every two existing shares then held at a subscription price of HK\$0.15 per share.

The Company also issued and allotted 21,000,000 ordinary shares of HK\$0.10 each at HK\$0.168 per share as a result of the exercise of share options.

Details of these and other movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the year.

## INVESTMENT PROPERTIES

During the year, investment properties of approximately HK\$58,500,000 were acquired by the Group.

The Group revalued all of its investment properties at the balance sheet date and the surplus arising on revaluation of approximately HK\$50,000 has been credited to the income statement.

Details of these and other movements in investment properties of the Group during the year are set out in note 15 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$300,000 were acquired as a result of acquisition of subsidiaries and approximately HK\$27,809,000 were disposed of as a result of the disposal of subsidiaries.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

## PROPERTY HELD FOR DEVELOPMENT

Details of the changes in the property held for development of the Group during the year are set out in note 17 to the financial statements.

## SUBSIDIARIES AND ASSOCIATES

The Group through its wholly-owned subsidiary, Upland Profits Limited ("Upland Profits"), entered into agreements to acquire approximately 60% interest in Premium Land Limited ("Premium Land", formerly known as Sing Pao Media Group Limited and Huey Tai International Limited). Upland Profits also at the same time entered into option agreements with certain investors whereby options were granted to the investors to acquire approximately 12% interest in Premium Land upon exercise of the options. Upon the completion of acquisition, Upland Profits was required to make a cash offer to acquire all the shares in Premium Land other than those already held or agreed to be acquired by Upland Profits. Following the completion of the acquisition, the close of the cash offer and the exercise of options granted to the investors, Upland Profits held approximately 48% interests in Premium Land.

## SUBSIDIARIES AND ASSOCIATES *(Continued)*

The Group further disposed of all the interest in Premium Land and has no interest in Premium Land thereafter.

The Group also acquired 66% interest in Century 21 at a consideration satisfied both by cash and issue of shares.

The Group disposed of its 60% interest in Admomentum Limited, and the entire interest in Denco International Limited, Ocean Office Automation Limited and other subsidiaries for total consideration of approximately HK\$77,562,500. The Group also disposed of certain associates for total consideration of approximately HK\$7,206,000.

Details of other principal subsidiaries and associates at 31st March, 2002 are set out in notes 19 and 20 to the financial statements respectively.

## CONTINGENT LIABILITIES

	The Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Other guarantees issued to associates	<u>41,850</u>	<u>72,250</u>

Subsequent to the balance sheet date, all other guarantees issued to associates were released.

## PLEDGE OF ASSETS

As at 31st March, 2002, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$58,500,000 (2001: HK\$4,400,000).
- (b) Bank deposit of HK\$5,000,000 (2001: HK\$8,131,000).

## BORROWINGS

Details of bank loans and other borrowings of the Group are set out in note 25 to the financial statements. No interest was capitalised by the Group during the year.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

*Executive Directors:*

Mr. Choo Yeow Ming, Executive Chairman

Ms. Ma Wai Man, Catherine

Mr. Kan Sze Man

*Non-Executive Directors:*

Mr. Chan Kin Hang, Johnny

*Independent Non-Executive Directors:*

Mr. Wong Sin Just (appointed on 23rd April, 2001)

Mr. Lam Lee G. (appointed on 23rd April, 2001)

Mr. Liu Yeau-Hwan, Pete

In accordance with Article 99(A) and 182 of the Company's Bye-laws, Mr. Chan Kin Hang, Johnny, Mr. Lam Lee G. and, Ms. Ma Wai Man, Catherine retire at the forthcoming annual general meeting by rotation. All retiring directors, being eligible, save for Mr. Chan Kin Hang, Johnny offer themselves for re-election.

The directors proposed for re-election at the forthcoming annual general meeting do not have any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's Bye-laws.

## BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

### DIRECTORS

**Mr. Choo Yeow Ming**, aged 48, executive chairman of the Company, and is a senior consultant of the U.S. law firm, Pillsbury Winthrop. A graduate of Harvard University Law School and University of Malaya Faculty of Law, Mr. Choo specializes in capital markets, securities as well as merger and acquisitions. Mr. Choo has also been involved in China related transactions since 1980 and advises many Chinese governmental entities.

## BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Continued)*

### DIRECTORS *(Continued)*

**Ms. Ma Wai Man, Catherine**, aged 36, executive director and the company secretary of the Company, is a graduate of the City University of Hong Kong. She is a chartered secretary and is a member of both Association of Chartered Certified Accountants ("ACCA") and Hong Kong Society of Accountants. Ms. Ma has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has also held executive directorship in a number of companies listed on local and overseas stock exchanges before joining the Company.

**Mr. Kan Sze Man**, aged 30, executive director and general counsel of the Company, is a qualified solicitor by profession. Mr. Kan graduated from Wadham College, Oxford University, England in 1993 and qualified as a solicitor in Hong Kong in 1997. He has worked in the commercial department of a leading Hong Kong law firm and a U.K. city firm, until joining Hikari Tsushin International Limited (now known as China City Natural Gas Holdings Limited) as its senior vice president and legal counsel in early 2000. Mr. Kan joined the Company in March 2001.

**Mr. Chan Kin Hang, Johnny**, aged 48, non-executive director of the Company and managing director of Johnny Chan & Co. Limited - Certified Public Accountants. He has practised as a certified public accountant in Hong Kong for more than ten years. Mr. Chan is a fellow of ACCA, the Hong Kong Society of Accountants, associate member of the Australian Society of CPAs and the Institute of Chartered Secretaries & Administrators. Mr. Chan holds a MSc degree in accounting & finance at the London School of Economics & Political Science.

**Mr. Liu Yeau-Hwan, Pete**, aged 54, independent non-executive director of the Company, Mr. Liu is the founder and Chairman of WI Harper Group, a venture capital and investment-banking firm, with offices in San Francisco, Taipei, Hong Kong, and Beijing. Since 1989, Mr. Liu is also a general partner of International Network Capital Fund, a leading venture capital fund management firm providing high technology investment opportunities to its investors in the Asia Pacific Region and the United States. Previously, Mr. Liu was a founder and principal partner at Walden International Investment Group. Mr. Liu has counselled over 200 major high-tech companies throughout the U. S. and Asia.

## BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Continued)*

### DIRECTORS *(Continued)*

**Mr. Lam Lee G.**, aged 42, independent non-executive director of the Company, has over 20 years of multinational business management, strategy consulting, corporate governance, and direct investment experience gained in North America, Europe and Asia in the telecommunications, media and information technology (TMT) sectors. Formerly a senior executive of Bell Canada, a general manager of Cable & Wireless/Hongkong Telecom, a managing partner of the global strategy consulting firm A. T. Kearney, the president and CEO of Millicom International Cellular's Asia Pacific operations, a partner-in-charge of the global executive search firm Heidrick & Struggles, and Executive Director of Singapore Technologies Telemedia (where he led its international direct investment program and pan-Asian operations), Mr. Lam is Managing Director of BOC International Holdings ("BOCI"), the international investment banking arm of the Bank of China Group. He serves as Chief Operating Officer of BOCI's core business unit - Investment Banking Division, and also leads BOCI's Global Telecommunications, Media and Technology (TMT) Investment Banking Group. He is Managing Director of BOCI Asia, a major operating subsidiary of BOCI.

**Mr. Wong Sin Just**, aged 36, independent non-executive director, Mr. Wong possesses over 10 years of investment banking and financial experience having held positions with a number of premier international investment banks. Prior to establishing e2-Capital Limited, Mr. Wong was the Managing Director and the Head of Equity Capital Markets at BNP Prime Peregrine Securities Limited. Mr. Wong holds a Bachelor Degree in Engineering from the University of London and is a member of the Association of Certified Accountants, England and Wales. Mr. Wong is also an Executive Director and the Chief Executive Officer of Softbank Investment International (Strategic) Limited and an Independent Non-executive Director of hongkong.com Corporation.

### SENIOR MANAGEMENT STAFF

**Mr. Ng Kai Man, Luke**, aged 47, a director and the CEO of Century 21, a subsidiary of the Group acquired in August 2001. Mr. Ng graduated from London School of Economics & Political Sciences, London University and holds a Master of Science of Economics.

Mr. Ng has worked in senior position in Mandarin Property Consultants Limited, The Chase Manhattan Bank, N.A., World Trade Group, The Bank of Canton (formerly Bank of America). Mr. Ng is active in Hong Kong charity services and has been the Director of Pok Oi Hospital, Co-chairman of Estates for The Community Chest, Vice Chairman of The Scout Association of Hong Kong -East Kowloon Region, Vice Chairman of HK Chamber of Professional Real Estate Property Consultants and Committee member of HK Franchise Association.

## BRIEF DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(Continued)*

### SENIOR MANAGEMENT STAFF *(Continued)*

**Mr. Yeung Oi Leung**, aged 37, an associate director of Century 21. He holds an honors degree in Social Sciences. Mr. Yeung has over ten years experience in the real estate industry in Hong Kong, China and overseas real estate industries. He was the senior executive in different renowned real estate agencies and publishing and media companies before joining Century 21.

**Mr. Chow Hou Man, Louis**, aged 31, the Financial Controller of the Company. Mr. Chow graduated from the Baptist University and has over 9 years of financial experience in various companies listed in Hong Kong and overseas and International CPA firm. He is a member of both Association of Chartered Certified Accountants and Hong Kong Society of Accountants.

### DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2002, as recorded in the register required to maintain under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), Mr. Choo Yeow Ming is deemed interested in 296,265,000 ordinary shares of the Company.

The 296,265,000 ordinary shares were held by Air Zone Group Limited ("Air Zone"), a wholly owned subsidiary of Cyber One Group Limited ("Cyber One"). The entire issued share capital of Cyber One is held under a discretionary trust, certain corporate beneficiaries of which are wholly owned by Mr. Choo Yeow Ming. Previously, Cyber One is owned as to 40% and 60% by Tiara Investment Trading Limited ("Tiara") and Recast Consultancy Limited ("Recast") respectively. Both Tiara and Recast were wholly and beneficially owned by Mr. Choo Yeow Ming.

Save as disclosed above, none of the Company's directors or their associates had any personal, family, corporate or other interests in any shares of the Company or any of its associated corporations, within the meaning of the SDI Ordinance as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing ("Listing Rules") of the Hong Kong Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

### **1992 SCHEME**

The Company's share option scheme ("1992 Scheme"), was adopted pursuant to a resolution passed on 23rd March, 1992 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 22nd March, 2002. Under the 1992 Scheme, the Board of Directors of the Company may grant options to eligible employees, including an executive director of the Company or any subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 1992 Scheme is not permitted to exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the 1992 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the number of shares issued and issuable under the 1992 Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised within one year on the expiry of 6 months after the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

### **2001 SCHEME**

On 13th June, 2001, the Company adopted a new share option scheme ("2001 Scheme"), for the primary purpose of providing incentives to directors and eligible employees. The 2001 Scheme will expire on 12th June, 2011. Under the 2001 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2001 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue at any point in time excluding any shares issued pursuant to the 2001 Scheme or such other limit as may be permitted under the Listing Rules. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 25% of the number of shares issued and issuable under the 2001 Scheme or any other limit as may be permitted under the Listing Rules.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES***(Continued)*

Options granted must be taken up within 60 days of the date of grant, upon payment of HK\$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the higher of the 80% of average closing price of the Company's shares for the five business days immediately preceding the date of grant, and the nominal value of the Company's shares.

At March 31, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 1992 Scheme and 2001 Scheme were 41,025,000 and 105,150,000, representing 3.2% and 8.2% of the issued share capital of the Company at that date respectively.

The fair value of the options granted in the current year measured as at the dates of grant on 30th May, 2001 and 30th August, 2001, were HK\$0.15 and HK\$ 0.14 per option respectively. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

<b>Date of grant</b>	<b>30th May, 2001</b>	<b>30th August, 2001</b>
Expected life of options	1.5 year	5 years
Expected volatility based on historical volatility of share prices	73%	100%
Hong Kong Exchange Fund Notes rate	4.13%	4.85%
Expected annual dividend yield	Nil	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

The closing prices of the Company's shares immediately before the dates of grant on 30th May, 2001 and 30th August, 2001 were HK\$0.33 and HK\$0.18 respectively.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES***(Continued)*

The weighted average closing price of the Company's shares immediately before the date on which the options was exercised was HK\$0.283.

The following table discloses movements in the Company's share options during the year:

	Option scheme type	Exercise price <i>(Note 1)</i>	Outstanding at beginning of year	Granted during year	Adjustment <i>(Note 1)</i>	Exercised during year	Cancelled during year	Outstanding at end of year
<b>Directors</b>								
Ma Wai Man, Catherine	1992	0.34	10,000,000	—	(10,000,000)	—	—	—
		0.2267	—	—	15,000,000	—	—	15,000,000
	1992	0.38	—	2,000,000	(2,000,000)	—	—	—
		0.2533	—	—	3,000,000	—	—	3,000,000
	2001	0.252	—	21,000,000	(21,000,000)	—	—	—
		0.168	—	—	31,500,000	—	—	31,500,000
Kan Sze Man	1992	0.34	7,000,000	—	(7,000,000)	—	—	—
		0.2267	—	—	10,500,000	—	—	10,500,000
	1992	0.38	—	3,000,000	(3,000,000)	—	—	—
		0.2533	—	—	4,500,000	—	—	4,500,000
	2001	0.252	—	21,000,000	(21,000,000)	—	—	—
		0.168	—	—	31,500,000	—	—	31,500,000
Total for Directors			17,000,000	47,000,000	32,000,000	—	—	96,000,000

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(Continued)

	Option scheme type	Exercise price (Note 1)	Outstanding at beginning of year	Granted during year	Adjustment (Note 1)	Exercised during year	Cancelled during year	Outstanding at end of year
<b>Employees</b>								
	1992	0.52	53,600	—	(53,600)	—	—	—
		0.3467	—	—	80,400	—	(80,400)	—
	1992	0.5616	2,364,000	—	(496,000)	—	(1,868,000)	—
		0.3744	—	—	744,000	—	(744,000)	—
	1992	0.4544	1,326,000	—	(282,000)	—	(1,044,000)	—
		0.3029	—	—	423,000	—	(423,000)	—
	1992	0.34	5,350,000	—	(5,350,000)	—	—	—
		0.2267	—	—	8,025,000	—	—	8,025,000
	2001	0.252	—	42,100,000	(42,100,000)	—	—	—
		0.168	—	—	63,150,000	(21,000,000)	—	42,150,000
	<b>Total for Employees</b>		<u>9,093,600</u>	<u>42,100,000</u>	<u>24,140,800</u>	<u>(21,000,000)</u>	<u>(4,159,400)</u>	<u>50,175,000</u>
	<b>Grand Total</b>		<u>26,093,600</u>	<u>89,100,000</u>	<u>56,140,800</u>	<u>(21,000,000)</u>	<u>(4,159,400)</u>	<u>146,175,000</u>

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

*(Continued)*

Details of specific categories of options are as follows:

Option scheme type	Date of grant	Vesting period	Exercise period	Exercise Price HK\$ (Note 1)
1992	21.4.2000	21.4.2000 - 19.10.2000	20.10.2000 - 19.10.2001	0.3467
	9.5.2000	9.5.2000 - 7.11.2000	8.11.2000 - 7.11.2001	0.3744
	2.7.2000	2.7.2000 - 2.1.2001	3.1.2001 - 2.1.2002	0.3029
	18.3.2001	18.3.2001 - 16.9.2001	17.9.2001 - 16.9.2002	0.2267
	30.5.2001	30.5.2001 - 30.11.2001	1.12.2001 - 30.11.2002	0.2533
2001 (Note 2)	30.8.2001	—	30.8.2001 - 12.6.2011	0.1680

Notes:

1. The number of options and exercise price were adjusted for the one for two rights issue of shares which was completed on 4th October, 2001.
2. There is a limit on the number of share options under the 2001 Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2006), namely the aggregate of (a) 20% of the total number of such share options granted and (b) any unused limits accumulated during previous period(s), subject to the written consent of the executive chairman of the Company to the exercise of share options exceeding such limit.

## SUBSTANTIAL SHAREHOLDERS

Save as disclosed in directors' interests in shares above and so far as was known to any director of the Company, there was no person who was, directly or indirectly, interested in 10 percent or more of the issued share capital of the Company as at 31st March, 2002.

## CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the year, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules, except the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles and Association.

## **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events are set out in note 41 to the financial statements.

## **AUDITORS**

A resolution will be submitted to the Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Choo Yeow Ming**  
*EXECUTIVE CHAIRMAN*  
23rd July, 2002