



# Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2003.

## Principal activities

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 19 and note 20 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 for the year are set out in the consolidated income statement on page 14.

The directors do not recommend the payment of a dividend for the year.

## Share capital

During the year, the Company carried out a capital reorganisation whereby (i) the nominal value of the issued and unissued share was reduced from HK\$0.10 to HK\$0.01 each, (ii) authorised share capital was increased from HK\$18,000,000 to HK\$180,000,000 by the creation of an additional 16,200,000,000 ordinary shares of HK\$0.01 each, (iii) the entire amount of the share premium account of the Company as at 31st March, 2002 was cancelled and transferred to the contributed surplus account and (iv) HK\$304,306,000 in the contributed surplus account was applied against the accumulated losses of the Company as at 31st March, 2002.

After the completion of the capital reorganisation, the Company also issued and allotted 250,000,000 ordinary shares of HK\$0.01 each to independent investors for cash at HK\$0.105 per share. The net proceeds of approximately HK\$25,800,000 were used as the Company's general working capital for daily operation.

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.



# Directors' Report

## Investment properties

During the year, investment properties with carrying value of approximately HK\$2,850,000 were disposed of as a result of disposal of subsidiaries.

The Group revalued all of its investment properties at the balance sheet date and the deficit arising on revaluation of approximately HK\$2,300,000 has been charged to the consolidated 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, the Group incurred expenditure of approximately HK\$6,654,000 of property, plant and equipment.

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.

## Subsidiaries and associates

During the year, the Group disposed of its entire 100% interest in New Plaza International Limited and Sharpower Limited, for a total consideration of approximately HK\$5,350,000.

The Group also acquired approximately 24.71% interest in Capital Estate Limited ("Capital Estate", formerly known as Yoshiya International Corporation, Limited), a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), for a cash consideration of approximately HK\$34,582,000.

The Group through its wholly-owned subsidiary, Capital Strategic Investment (B.V.I.) Limited, entered into agreements to further acquire approximately 28.08% interest in Capital Prosper Limited (formerly known as Rockapetta Holdings Limited), a company listed on the Hong Kong Stock Exchange for a cash consideration of approximately HK\$60,000,000.

Following a placement of shares to third parties by Capital Estate, the Group's interest in Capital Estate was diluted to approximately 20.61%.

Details of other principal subsidiaries and associates at 31st March, 2003 are set out in notes 19 and 20 to the financial statements respectively.

## Contingent liabilities

	2003 HK\$'000	2002 HK\$'000
Corporate guarantees issued to associates	<u>—</u>	<u>41,850</u>



# Directors' Report

## Pledge of assets

At the balance sheet date, the following assets were pledged to secure general banking facilities granted to the Group:

- (a) Investment properties with a carrying value of HK\$56,500,000 (2002:HK\$58,500,000).
- (b) Bank deposit of HK\$5,178,000 (2002: HK\$5,000,000).

## 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 (resigned on 31st March, 2003)

### *Non-executive directors:*

Mr. Cheng Yuk Wo (appointed on 26th November, 2002)

Mr. Chan Kin Hang, Johnny (retired by rotation on 26th August, 2002)

### *Independent non-executive directors:*

Mr. Wong Sin Just

Mr. Lam Lee G.

Mr. Liu Yeau-Hwan, Pete

In accordance with Bye-laws 99(A) and 182 of the Company's Bye-laws, Mr. Liu Yeau-Hwan, Pete, and Mr. Wong Sin Just retire at the forthcoming annual general meeting by rotation. Mr. Cheng Yuk Wo was appointed as a director of the Company on 26th November, 2002 would retire at the forthcoming annual general meeting. All retiring directors, being eligible, 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.



# Directors' Report

## Brief details in respect of directors and senior management staff

### Directors

**Mr. Choo Yeow Ming**, aged 49, Executive Chairman, joined the Group in 2001. A graduate of Harvard University Law School and University of Malaya Faculty of Law, Mr. Choo specialises 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. Mr. Choo is currently the Executive Chairman of Capital Prosper Limited (“Capital Prosper”) and Capital Estate Limited (“Capital Estate”), both are companies listed on the Stock Exchange.

**Ms. Ma Wai Man, Catherine**, aged 37, Executive Director and Company Secretary of the Company, joined the Group in 2001. Ms. Ma, a graduate of the City University of Hong Kong, is a chartered secretary and a member of both Association of Chartered Certified Accountants 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. Ms. Ma is an executive director and the secretary of both Capital Prosper and Capital Estate. She is also an independent non-executive director of Hanny Holdings Limited, a company listed on the Stock Exchange.

**Mr. Cheng Yuk Wo**, aged 43, Non-Executive Director of the Company, is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Cheng worked at Coopers and Lybrand in London and with Swiss Bank Corporation in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is consultant of several listed companies and the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a M.Sc.(Econ) degree and a B.A.(Hon) degree.

**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.

**Mr. Wong Sin Just**, aged 37, Independent Non-executive Director of the Company, possesses over 10 years of investment banking experience having held positions with a number of premier international investment banks. Mr. Wong is currently the executive co-chairman of E2-Capital (Holdings) Limited. 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 (First Class Honours) from the Imperial College of Science, Technology and Medicine, University of London and was qualified with the Institute of Chartered Accountants in 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.



# Directors' Report

## Brief details in respect of directors and senior management staff *(continued)*

### Directors *(continued)*

**Mr. Lam Lee G.**, aged 43, joined the Company as an Independent Non-executive Director in 2001. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa, Canada and a Post-graduate Diploma in Public Administration from Carlton University, Canada. Mr. Lam has over 20 years of multinational business management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is President & CEO and Vice Chairman of the Board of Hong Kong Fortune Ltd., Senior Executive Vice President of Chia Tai Group, a Member of the Board of TelecomAsia Corporation PLC, Executive Chairman of Shanghai Kinghill Ltd., a Member of the Board of Chinese Century Capital Holdings Ltd., and Advisor (Investment Banking) of BOC International Holdings Ltd. A Fellow of the Hong Kong Institute of Directors, Mr. Lam has, over the past decade and across 13 countries/territories, served on the board of over 60 publicly-listed and privately-held companies. Mr. Lam is also an Independent Non-executive Director of Capital Prosper.

### Senior Management of the Group

**Mr. Kan Sze Man**, aged 31, general counsel of the Company, joined the Group in 2001. Mr. Kan 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. Ng Kai Man, Luke**, aged 47, joined the Group in 2001. Mr. Ng is a director and the Chief Executive Officer of Century 21 Hong Kong Limited, a subsidiary of Capital Strategic acquired in August 2001. Mr. Ng graduated from the London School of Economics & Political Sciences, University of London, the United Kingdom and holds a master degree of science in economics. Mr. Ng has worked in senior positions in Mandarin Property Consultants Limited, The Chase Manhattan Bank, N.A., World Trade Group, The Bank of Canton (now part of Bank of America). Mr. Ng is active in Hong Kong charity services and has been a 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, the United Kingdom committee member of HK Franchise Association. Mr. Ng is the Deputy Chairman and an executive director of Capital Estate.

**Mr. Chow Hou Man**, aged 32, financial controller of the Company, joined the Group in 2001. 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 an international firm of certified public accountants. He is a member of both Association of Chartered Certified Accountants and Hong Kong Society of Accountants. Mr. Chow is an executive director of Capital Prosper and Capital Estate.

# Directors' Report

## Directors' interests in shares

As at 31st March, 2003, as recorded in the register required to be maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), Mr. Choo Yeow Ming is deemed to have interest in 450,349,000 shares of the Company, and represented 29.36% of the issued share capital of the Company.

The 450,349,000 shares were held by Air Zone Group Limited ("Air Zone"), a wholly owned subsidiary of Cyber One Group Limited ("Cyber One"). Both Air Zone and Cyber One are corporations controlled by Mr. Choo Yeow Ming. Further, the entire issued share capital of Cyber One is held under a discretionary trust and certain corporate beneficiaries of which are wholly 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 in 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 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.

## Share option schemes and directors' rights to acquire shares or debentures

Particulars of the Company's share option schemes are set out in note 27 to the financial statements.

At 31st March, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 2001 Scheme and 2002 Scheme were 105,150,000, 86,000,000, representing 6.8%, 5.6% of the issued share capital of the Company respectively.

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

	Option scheme type	Exercise price HK\$	Outstanding at 1.4.2002	Granted during year	Exercised during year	Surrendered/lapsed during year	Outstanding at 31.3.2003
<b>Director/ex-director *</b>							
Ma Wai Man, Catherine	1992	0.2267	15,000,000	—	—	(15,000,000)	—
	1992	0.2533	3,000,000	—	—	(3,000,000)	—
	2001 (Note 1)	0.1680	31,500,000	—	—	—	31,500,000
	2002 (Note 2)	0.1400	—	12,500,000	—	—	12,500,000
Kan Sze Man *	1992	0.2267	10,500,000	—	—	(10,500,000)	—
	1992	0.2533	4,500,000	—	—	(4,500,000)	—
	2001 (Note 1)	0.1680	31,500,000	—	—	—	31,500,000
	2002 (Note 2)	0.1400	—	12,500,000	—	—	12,500,000
Total for director/ex-director			<u>96,000,000</u>	<u>25,000,000</u>	<u>—</u>	<u>(33,000,000)</u>	<u>88,000,000</u>



# Directors' Report

## Share option schemes and directors' rights to acquire shares or debentures *(continued)*

Notes:—

1. There is a limit on the number of Share Options under the 2001 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from 30th August, 2001 (until 29th August, 2005), 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.
2. There is a limit on the number of Share Options under the 2002 Share Option Scheme that may be exercised by each grantee during each period of 12 months commencing from 23rd September, 2002 (until 22nd September, 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.

The directors are of the view that the value of the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors of the Company believed that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

### 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, 2003.

### Code of best practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules throughout the year, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 99(A), 102(B) and 182 of the Company's Bye-laws.

### Post balance sheet events

Details of the significant post balance sheet events are set out in note 38 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, 2003