

DIRECTORS' REPORT

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

Pursuant to a special resolution passed at an extraordinary general meeting held on 12th June, 2003, the name of the Company was changed from Yoshiya International Corporation, Limited 慶屋國際有限公司 to Capital Estate Limited 冠中地產有限公司.

Principal activities

The Company acts as a property and investment holding company. The activities of the principal subsidiaries are set out in note 15 to the financial statements.

Major customers and suppliers

For the year ended 31st July, 2003, the aggregate amount of turnover attributable to the Group's largest customer represented approximately 43% of the Group's total turnover. The aggregate amount of turnover attributable to the Group's five largest customers represented approximately 49% of the Group's total turnover. Of the purchase of the Group, less than 30% was attributable to the Group's five largest suppliers.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers.

Results

The results of the Group for the year are set out in the consolidated income statement on page 13.

No dividend was paid during the year.

Reserves

Details of the movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 16 and note 27 to the financial statements, respectively.

Investment properties

The Group's and the Company's investment properties were revalued at 31st July, 2003 by independent firms of professional valuers on an open market value basis.

Details of the movements during the year in the investment properties of the Group and the Company are set out in note 12 to the financial statements.

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Property, plant and equipment

Details of the movements during the year in property, plant and equipment of the Group are set out in note 13 to the financial statements.

Major properties

Particulars of the major properties of the Group as at 31st July, 2003 are set out on pages 58 and 59.

Share capital

Details of the movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

Share options

Pursuant to a resolution passed on 30th December, 2002, a share option scheme adopted by the Company on 7th March, 1997 (the "1997 Scheme") was terminated. On the same date, a new share option scheme was adopted (the "2002 Scheme"). No share option of the 1997 Scheme was granted to or exercised by the directors during the year or outstanding at 31st July, 2003. There was no option granted under the 2002 Scheme since its adoption.

Particulars of the Company's share option schemes are set out in note 26 to the financial statements.

Directors

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

Executive Chairman:

Choo Yeow Ming	(appointed on 15th January, 2003)
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Executive directors:

Ng Kai Man, Luke (<i>Deputy Chairman</i>)	(appointed on 25th April, 2003)
Ma Wai Man, Catherine	(appointed on 15th January, 2003)
Ding Chung Keung, Vincent	
Chow Hou Man	(appointed on 15th January, 2003)
Tse Cho Tseung	(resigned on 15th January, 2003)
Lin Fung Yi	(resigned on 15th January, 2003)
Yao Hon Ching	(resigned on 1st October, 2002)

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Directors (continued)

Independent non-executive directors:

Miu Hei, Frank	(appointed on 18th February, 2003)
Li Chok Sun, Sean	(appointed on 2nd August, 2002)
Hong Ka Kei	(resigned on 29th January, 2003)
Masuo Yoshimochi	(retired on 30th December, 2002)
Cheng Yuk Wo	(resigned on 5th September, 2002)
Zhao Cong, Richard	(resigned on 2nd August, 2002)

In accordance with Article 103(A) of the Company's Articles of Association, Messrs. Ding Chung Keung, Vincent and Li Chok Sun, Sean retires by rotation and, being eligible, offers himself for re-election.

In accordance with Article 94 of the Company's Articles of Association, Messrs. Choo Yeow Ming, Ng Kai Man, Luke, Miu Hei, Frank, Chow Hou Man and Ms. Ma Wai Man, Catherine retire and, being eligible, offer themselves for re-election.

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

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' interests in shares

At 31st July, 2003, none of the directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Arrangements to purchase shares or debentures

Other than as disclosed in the section "Share options", at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Directors' interests in contracts

No contract of significance to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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Substantial shareholders

As at 31st July, 2003, the register of substantial shareholders maintained by the Company pursuant to section 336 of the Securities and Future Ordinance showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	% of the issued share capital of the Company
Success Field Group Limited	Beneficial owner	592,864,000	28.48%
Super Master Group Limited	Held by controlled corporation (<i>Note</i>)	592,864,000	28.48%
Capital Strategic Investment Limited	Held by controlled corporation (<i>Note</i>)	592,864,000	28.48%

Note: The 592,864,000 shares were held by Success Field Group Limited, a wholly owned subsidiary of Super Master Group Limited, which is a wholly owned subsidiary of Capital Strategic Investment Limited.

Short positions

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st July, 2003.

Purchase, sale or redemption of the Company's listed securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Post balance sheet events

Details of significant events occurring after the balance sheet date are set out in note 36 to the financial statements.

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Corporate governance

The Company has complied throughout the year ended 31st July, 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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 Articles 94 and 103(A) of the Company's Articles of Association.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Choo Yeow Ming

Executive Chairman

Hong Kong, 19th November, 2003