

# Directors' Report

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The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2000.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 18 to the financial statements.

## CHANGE OF NAME

Pursuant to a special resolution passed at the annual general meeting held on 27th June, 2000, the name of the Company was changed from China Strategic Holdings Limited to China Internet Global Alliance Limited.

Pursuant to another special resolution passed at an extraordinary general meeting held on 5th December, 2000, the name of the Company was changed back to China Strategic Holdings Limited.

## CHANGE IN SUBSTANTIAL SHAREHOLDER

In September, 2000, Mr. Oei Hong Leong and his associates, the Company's former substantial shareholders which held approximately 46.27% interest in the Company, entered into agreements with wholly-owned subsidiaries of Hanny Holdings Limited ("Hanny") and Paul Y. - ITC Construction Holdings Limited ("Paul Y.") to dispose of their approximately 11.55% and 17.45% interest in the Company to Hanny and Paul Y. respectively. Their remaining interest of approximately 17.27% was further disposed of to independent third parties.

Upon completion of the disposal of shares in the Company, Mr. Oei Hong Leong and his associates had no interest in the Company. Hanny further increased its interest in the Company to 17.45% by acquisition of shares from other former substantial shareholders. Accordingly, there was a change in the substantial shareholders of the Company, and the details of the substantial shareholders as at 31st December, 2000 are disclosed under the heading "Substantial Shareholders".

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were less than 30% of the total sales. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the 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 26.

The directors do not recommend the payment of a final dividend.

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## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72.

## SHARE CAPITAL AND SHARE OPTIONS

During the year, the Company issued and allotted 129,500,000 shares of HK\$0.10 each in the Company as a result of the exercise of share options.

Details of these and other movements in the share capital and share options of the Company during the year are set out in notes 27 and 28 to the financial statements.

## RESERVES

Details of changes in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## INVESTMENT PROPERTIES

During the year, investment properties of approximately HK\$72 million were acquired as a result of the acquisition of subsidiaries and approximately HK\$52 million were disposed of as a result of the disposal of subsidiaries.

The Group also revalued all of its remaining investment properties at the balance sheet date.

Details of these and other changes in investment properties of the Group during the year are set out in note 14 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

During the year, property, plant and equipment with an aggregate net book value of approximately HK\$1,386 million were acquired as a result of the acquisition of subsidiaries and approximately HK\$109 million were disposed of as a result of the disposal of subsidiaries.

The Group also incurred expenditure of approximately HK\$103 million on construction in progress in respect of the construction project of a toll highway in the People's Republic of China ("PRC").

Details of these and other changes in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

## PROPERTIES UNDER/HELD FOR DEVELOPMENT

During the year, properties under/held for development of approximately HK\$173 million were acquired as a result of acquisition of subsidiaries and approximately HK\$43 million was transferred to properties held for sale.

Details of changes in the properties under/held for development of the Group during the year are set out in note 16 in the financial statements.

## SUBSIDIARIES AND ASSOCIATES

During the year, the Group acquired approximately 57.82% interest in China Land Group Limited ("China Land" formerly known as China CyberPort Limited and Po Wing Kwan International (Holdings) Limited).

Following the acquisition, the Group was required to make a cash offer to acquire all the shares in China Land.

Upon the close of the cash offer, the Group held approximately 76% interest in China Land and subsequent to the balance sheet date, the Group reduced its interest to 74.98%.

The Group also increased its interest in Australia Net.com Limited ("Australia Net.com" formerly known as MRI Holdings Limited) from 49.50% to 57.26% as a result of share repurchases made by Australia Net.com and other acquisition of shares by the Group through the stock market.

The Group's 33.33% interest in PacificNet.com LLC was exchanged for a 30.41% interest in Pacificnet.com, Inc. ("Pacificnet" formerly known as Creative Master International, Inc.), upon a group reorganisation.

The Group's 49.50% interest in Asia Fiber Holdings Limited ("AFH" formerly known as Asia Resources Holdings Limited) was diluted to approximately 2.95% following the allotment and issue of new shares by AFH for acquisition of interest in a company.

The Company through its 65% owned subsidiary, Optima Media Holding Limited ("Optima"), acquired from Sing Pao Newspapers & Publications Limited the right to publish newspapers in Hong Kong under the trademarks and tradenames of "Sing Pao" and the machineries and equipment necessary to carry out the printing and publication of the newspaper.

The Company also through another 65% owned subsidiary, Gold Brilliant Limited ("Gold Brilliant"), entered into agreements to acquire approximately 38.65% interest in Sing Pao Media Group Limited ("Sing Pao Media" formerly known as Huey Tai International Limited) and dispose of its interest in Optima to Sing Pao Media.

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## **SUBSIDIARIES AND ASSOCIATES** (Continued)

Subsequent to the balance sheet date, upon completion of the acquisition and disposal, Gold Brilliant was required to make a cash offer to acquire all the shares in Sing Pao Media. Following the close of the cash offer, Gold Brilliant held 76.20% interest in Sing Pao Media and further reduced its interest to 74.99%.

Details of other principal subsidiaries and associates at 31st December, 2000 are set out in notes 18 and 19 to the financial statements, respectively.

## **BORROWINGS AND INTEREST CAPITALISED**

Details of bank loans and other borrowings of the Group are set out in note 31 to the financial statements.

During the year, interest capitalised by the Group in respect of construction in progress amounted to approximately HK\$28 million.

## **DIRECTORS**

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

### **Executive directors:**

Dr. Chan Kwok Keung, Charles <i>Chairman and Chief Executive Officer</i>	(appointed on 11th October, 2000)
Mr. Lau Ko Yuen, Tom	(appointed on 11th October, 2000)
Ms. Chau Mei Wah, Rosanna	(appointed on 11th October, 2000)
Mr. Chan Kwok Hung	(appointed on 11th October, 2000)
Mr. Yap, Allan	(appointed on 11th October, 2000)
Mr. Lien Kait Long	
Mr. Lui Siu Tsuen, Richard	(appointed on 19th February, 2001)
Mr. Oei Hong Leong (alias Peter Oei)	(resigned on 23rd April, 2001)

### **Non-executive directors:**

Ms. Ma Wai Man, Catherine	(redesignated on 28th February, 2001)
Mr. Fok Kin Ning, Canning	(resigned on 21st December, 2000)
Alternate director to Mr. Fok Kin Ning, Canning:	
Ms. Shih, Edith	(ceased on 21st December, 2000)

## DIRECTORS (Continued)

### Independent non-executive directors:

Mr. Tang Wei, Donald

Mr. David Edwin Bussmann (appointed on 21st February, 2000)

Ms. Choy Hok Man, Constance (appointed on 23rd April, 2001)

Mr. Feng Chuan Chia (resigned on 1st December, 2000)

In accordance with Article 116 of the Company's Articles of Association, Ms. Ma Wai Man, Catherine and Mr. Lien Kait Long retire at the forthcoming annual general meeting by rotation. In addition, in accordance with Article 99 of the Company's Articles of Associations, Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Yap, Allan, Mr. Lui Siu Tsuen, Richard and Ms. Choy Hok Man, Constance who were appointed during the period from the last annual general meeting to the date of this report, retire at the forthcoming Annual General Meeting. All retiring directors except for Ms. Ma Wai Man, Catherine, 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 Articles of Association.

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

### Directors

Dr. Chan Kwok Keung, Charles, aged 46, is the chairman and chief executive officer of the Company. Dr. Chan holds an honorary degree of Doctor of Laws and a bachelor's degree in civil engineering and has over 21 years' international corporate management experience in the construction and property sectors as well as strategic investments. He joined the Company in 2000. Dr. Chan is the chairman of ITC Corporation Limited ("ITC"), Paul Y., Hanny and China Tire e-commerce.com Limited ("China Tire"), a company whose shares are listed on the New York Stock Exchange. He is also a director of New World CyberBase Limited ("New World CyberBase") and Oxford Properties Group Inc. ("Oxford"), a company whose shares are listed on the Toronto Stock Exchange and a non-executive director of Downer Group Limited ("Downer"), a company whose shares are listed on the Australian Stock Exchange.