

CHAIRMAN'S Statement

ANNUAL REPORT 2000

CHINA LAND GROUP LIMITED 3

On behalf of the board of directors (the "Board"), I have pleasure in presenting the 2000 annual report of the Company and its subsidiaries (the "Group").

RESULTS

The Group's turnover for the year ended 31st December, 2000 was approximately HK\$69.7 million (1999: HK\$59.7 million) and the loss attributable to shareholders for the year was approximately HK\$582.8 million (1999: HK\$226.1 million).

The reported loss was mainly contributed by the provision for impairment and revaluation losses on properties and provision for advances to contractors. The losses of the Group for the year shared by the minority shareholders of subsidiaries were approximately HK\$119.4 million.

DIVIDEND

No interim dividend was paid for the year of 2000. The Board does not recommend any payment of final dividend for the year ended 31st December, 2000.

CHANGE OF CONTROLLING SHAREHOLDER

The unconditional mandatory offer made by China WTO.com Limited, a wholly-owned subsidiary of China Strategic Holdings Limited ("CSH", formerly China Internet Global Alliance Limited), was completed on 5th June, 2000. New directors with valuable experience and expertise were appointed to the Board. CSH and its subsidiaries are now holding 852,076,620 shares in the capital of the Company (the "Shares") representing 74.98% of the total issued Shares. Details of substantial/controllers of the Company are shown in the Directors' Report.

CHANGE OF COMPANY'S NAME

With effect from 5th July, 2000, the name of the Company was changed from Po Wing Kwan International (Holdings) Limited to China CyberPort Limited. With effect from 5th December, 2000, the Company's name was further changed from China CyberPort Limited to China Land Group Limited to better reflect the Group's business nature which embraces significant property, infrastructure and hotel investments in the People's Republic of China (the "PRC").

REVIEW OF OPERATIONS

During the year under review, the performance of the Group was continuously overshadowed by the sluggish property market in the PRC including Hong Kong. Nevertheless, the management had successfully managed to place new Shares, dispose

CHAIRMAN'S Statement

of under-performing assets and implement effective cost-control measures. There are two main categories of the Group's investments, i.e. long term investments which contribute steady recurring income and property development projects intended for resale.

Long Term Investments

Toll Road Project in Shenzhen, PRC ("Shenzhen Highway") (60% owned)

The prolonged rainy season in 2000 had slightly hampered the construction progress of the Shenzhen Highway. It is expected that the Shenzhen Highway will become operational in the third quarter of 2001. The management of Shenzhen Highway is under negotiation with relevant PRC government authorities for an extension of the operation period of Shenzhen Highway from 20 years to 25 years following the commencement of its operation.

The Shenzhen Highway is a dual 3 lane class 1 expressway located in the Longgang District of Shenzhen which will link Shuijing and Guanjingtou. The total length of the Shenzhen Highway is approximately 20.14 kilometres. The Shenzhen Highway is expected to contribute steady recurring income to the Group in the coming years.

Jiangnan Centre, Guangzhou, PRC (75% owned)

(formerly named as Hongkong Macau Centre)

It appears that the PRC property market has now bottomed out. The Board is considering to resume the construction works of Jiangnan Centre with a view to post the podium for leasing purpose. This 6-level commercial podium has a gross floor area of approximately 28,000 square metres and 269 car parking spaces. The Board will use every effort to secure anchor tenants in the next few months.

HMH China Investments Limited (82.17% owned)

To improve the competitiveness of the Plaza Canton Hotel (the "Hotel"), major renovation works were carried out in 2000 to project a modern image. Guest rooms and other facilities of the Hotel were upgraded. The overall results of the Hotel remained moderate although there were promising signs during the Trade Fair periods. Management of the Hotel will continue to explore new markets.

The leasing of Shenzhen Development Centre ("SDC") for the year under review remained in good shape. However there is a slight downturn in rental return. Despite the efforts of SDC's marketing team in 2000, the marketing campaign on the units of SDC met with little response.

Property Development Projects Intended for Resale

Lang De Dong, Taishan, PRC (100% owned)

The Group acquired this development site in December 2000 for a cash consideration of HK\$26 million. The site area is 231,759 square metres and has an approved buildable area of 298,969 square metres for commercial and residential purposes. The Board intends to pre-sale these properties by phases once the pre-sale permit is obtained.

CHAIRMAN'S Statement

ANNUAL REPORT 2000

CHINA LAND GROUP LIMITED 5

In January 2001, the Company further acquired a number of property investments in the PRC including Hong Kong. The Board expects that the acquisition of these investments will enhance the growth of the Group's business.

ACQUISITION (THE "ACQUISITION") OF OSGOOD INVESTMENT LIMITED ("OSGOOD") AND SUBSEQUENT ARRANGEMENTS TO UNWIND THE ACQUISITION

As announced on 30th May, 2000 and as stated in the circular of 19th June, 2000, the Company entered into a conditional sale and purchase agreement with PKU Cyberport Limited, formerly known as China Success Group (Hong Kong) Limited (the "Vendor"), pursuant to which the Company agreed to acquire the entire issued share capital of Osgood. The Acquisition was completed on 7th July, 2000 and the consideration was satisfied by way of issue of 100,000,000 Shares (the "Consideration Shares") at HK\$0.90 each and a convertible note (the "Convertible Note") in the principal amount of HK\$210 million convertible into Shares at an initial conversion price of HK\$0.90 each. The main business of Osgood is the operation of a highway (the "Highway 320") for the next 25 years and the right to use, operate and sub-lease a building for the next 46 years.

As stated in the circular dated 18th December, 2000, the Vendor was not able to obtain a release of the charge on Highway 320 by the 7th September, 2000 deadline. After arm's length negotiations between the Company and the Vendor, both parties agreed to unwind the Acquisition. As a result of the foregoing, the Convertible Note was cancelled by way of a deed of release on 23rd November, 2000, the Consideration Shares were cancelled on 28th December, 2000 by way of an off-market share repurchase, and the entire issued share capital of Osgood was transferred back to the Vendor thereof.

DISPOSALS

As announced on 15th August, 2000, a subsidiary of the Company entered into an agreement with a connected party of the Company to dispose of the whole of the 6th floor of Shenzhen Development Centre for a consideration of approximately RMB13.4 million. The transaction was completed in *November* 2000.

On 29th December, 2000, five subsidiaries of the Company entered into five conditional sale and purchase agreements respectively (the "S & P Agreements") to dispose of their respective interest in five development sites in Guilin, the PRC. The aggregate consideration is approximately RMB24.4 million and the S & P Agreements were completed on 30th March, 2001.

CHAIRMAN'S Statement

PLACING OF SHARES

In January 2000, the Company placed 89,000,000 new Shares at a price of HK\$0.198 per Share. The net proceeds of approximately HK\$17.0 million were used for the repayment of loans due to financial institutions and settlement of other creditors.

PROSPECTS

It is expected that the Shenzhen Highway will commence its operation in the third quarter of 2001 and will contribute significant recurring income to the Group.

The management has associated with Japan Travel Bureau, Inc (HK) Ltd. and will continue to develop institutional tours to stay at the Hotel. The Board believes the Hotel is geographically well located as a subway is due to be completed in 2002 which brings the new China Guangzhou Convention Centre (venue of Guangzhou Trade Fairs) to close proximity of the Hotel.

With the Group's significant investments in the PRC, the Board anticipates that the Group will benefit from the PRC's imminent entry to the World Trade Organization. The Group's business shall prosper, leaving behind the years of subdued performance.

APPRECIATIONS

On behalf of the Board, I would like to extend our warmest welcome to the appointments of Messrs. Chan Fut Yan, Lam Shan, Mok Yat Fan, Edmond and Ms. Chau Mei Wah, Rosanna as directors of the Company. I would also like to extend our appreciation to Messrs. Chung Chi Wah, Oei Hong Leong, Lien Kait Long and Madams Leung Yeh Ping, Ma Wai Man, Catherine and Li Ling Xiu, the outgoing directors, for their valuable contribution to the Company in the past and wish them every success in their future pursuits.

I wish to take this opportunity to thank our shareholders and my aides for their continued support and wish to extend our sincere appreciation for the dedicated work and loyalty of our staff.

Chan Kwok Hung
Chairman

Hong Kong, 21st April, 2001