

# DIRECTORS'

## Report

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 40 to the financial statements.

### CHANGE OF COMPANY'S NAME

Pursuant to special resolutions passed at special general meetings held on 27th June, 2000 and 5th December, 2000 respectively, the name of the Company was changed from Po Wing Kwan International (Holdings) Limited to China CyberPort Limited with effect from 5th July, 2000 and further to China Land Group Limited with effect from 5th December, 2000.

### CHANGE IN SUBSTANTIAL SHAREHOLDERS

Windway Enterprises Limited, the former substantial shareholder of the Company, notified the Company that it had disposed of 227,160,000 shares of US\$0.02 each in the share capital of the Company, representing its entire shareholding in the Company, on 9th March, 2000.

On 31st March, 2000, two wholly-owned subsidiaries of China Strategic Holdings Limited ("CSH") acquired an aggregate of 268,010,000 shares of the Company. Together with 389,102,500 shares held by two wholly-owned subsidiaries of CSH prior to the aforesaid acquisition, CSH and its subsidiaries ("CSH Group") in aggregate owned 657,112,500 shares of the Company, representing approximately 57.82% of the then issued capital of the Company. Pursuant to Rule 26.1 of The Code on Takeovers and Mergers, the CSH Group and parties acting in concert with it made an unconditional mandatory offer (the "Offer") for all the shares not already beneficially owned or agreed to be acquired by the CSH Group or parties acting in concert with it. The Offer was made by Kingsway SW Securities Limited on behalf of China WTO.com Limited (the "Offeror"), a wholly-owned subsidiary of CSH, on the basis of HK\$0.90 per share in cash.

CSH Group acquired an additional 54,982,500 shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the offer period and received 205,006,620 acceptance shares upon completion of the Offer. During the period from the closure of the Offer period up to 31st December, 2000, CSH Group disposed of 53,025,000 shares of the Company. Accordingly, at 31st December, 2000, CSH Group beneficially owned 864,076,620 shares of the Company, representing approximately 76% of the then issued capital of the Company. In order to restore the public float of the Company to the minimum requirement of 25% in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), CSH Group disposed of 12,000,000 shares of the Company to independent third parties on 18th January, 2001.

Details of the CSH Group's beneficial ownership in share capital of the Company as at 31st December, 2000 are disclosed under the section "Substantial Shareholders".

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### 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 for the year are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of a dividend.

### 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 62.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company and their movements during the year are set out in notes 23 and 24 to the financial statements.

### CONVERTIBLE NOTE

On 7th July, 2000, the Company issued a convertible note with a nominal value of HK\$210 million convertible into the shares of the Company at an initial conversion price of HK\$0.90 each (the "Convertible Note") to PKU Cyberport Limited. The Convertible Note was issued as partial consideration for the acquisition of the entire issued share capital of Osgood Investment Limited (the "Acquisition"). The balance of the consideration for the Acquisition was settled by the issue of 100,000,000 new shares of the Company at HK\$0.90 each at an aggregate amount of HK\$90 million. As detailed in the announcement dated 24th November, 2000, the Company and PKU Cyberport Limited entered into a termination agreement to unwind the Acquisition. Accordingly the Convertible Note was cancelled by way of a deed of release on 23rd November, 2000, and the 100,000,000 shares that were issued were repurchased and cancelled.

### RESERVES

Details of changes in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year, the Company repurchased 100,000,000 shares of the Company by private arrangement, details of which are set out in note 23 to the financial statements.

The aforesaid shares were repurchased with the aim of unwinding the Acquisition. The share premium from the issue of the aforesaid shares was used to repurchase such shares. The shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these cancelled shares.

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Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

### INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the balance sheet date. The deficit arising on revaluation, which has been charged to the consolidated income statement, amounted to approximately HK\$42.5 million.

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

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group revalued all of its properties under construction, construction in progress and hotel property. The deficit arising on revaluation, which has been charged to the consolidated income statement, amounted to approximately HK\$345.4 million.

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

### PROPERTIES UNDER/HELD FOR DEVELOPMENT

The Group revalued all of its properties under/held for development at the balance sheet date. The deficit arising on revaluation, which has been charged to the consolidated income statement, amounted to approximately HK\$155.7 million.

Details of these and other movements in the properties under/held for development of the Group during the year are set out in note 14 to the financial statements.

### PRINCIPAL SUBSIDIARIES AND ASSOCIATE

Details of the Company's principal subsidiaries and associate at 31st December, 2000 are set out in notes 40 and 16 respectively to the financial statements.

### BORROWINGS AND INTEREST CAPITALISED

Details of bank and other borrowings of the Group are set out in note 22 to the financial statements.

During the year, interest capitalised by the Group in respect of the construction in progress amounted to approximately HK\$28.2 million.

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### DIRECTORS

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

#### Executive directors:

Chan Kwok Hung	(Appointed on 13th October, 2000)
Chan Fut Yan	(Appointed on 13th October, 2000)
Lam Shan	(Appointed on 13th October, 2000)
Chau Mei Wah, Rosanna	(Appointed on 13th October, 2000)
Mok Yat Fan, Edmond	(Appointed on 13th October, 2000)
Lee Kim Ying	
Cheng Yin Ching, Anna	
Oei Hong Leong	(Appointed on 24th May, 2000 and resigned on 11th October, 2000)
Lien Kait Long	(Appointed on 24th May, 2000 and resigned on 13th October, 2000)
Ma Wai Man, Catherine	(Appointed on 24th May, 2000 and resigned on 27th October, 2000)
Leung Yeh Ping	(Appointed on 27th June, 2000 and resigned on 23rd November, 2000)
Li Ling Xiu	(Appointed on 27th June 2000 and resigned on 23rd October, 2000)
Chung Chi Wah	(Resigned on 5th June, 2000)

#### Independent non-executive directors:

Wong Pui Fai  
Kwok Chi Keung

In accordance with Clause 99 of the Company's Bye-Laws, Mr. Kwok Chi Keung retires at the forthcoming annual general meeting by rotation and, being eligible, offers himself for re-election.

In accordance with Clause 102(B) of the Company's Bye-Laws, Messrs. Chan Kwok Hung, Chan Fut Yan, Lam Shan, Mok Yat Fan, Edmond and Ms. Chau Mei Wah, Rosanna, the newly appointed directors, also retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director 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).

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

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### DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2000, none of the directors or chief executives, nor their associates, had any interest in any securities of the Company or any of its associated corporation as defined by Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") and none of the directors or chief executives nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the share option scheme as detailed in note 24, at no time during the year was the Company, any of its holding companies, fellow subsidiaries or 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.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st December, 2000 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of director	Name of company	Nature of competing business	Nature of interest
Chan Kwok Hung	Certain subsidiaries of Star East Holdings Limited ("Star East")	Property business in Hong Kong and the PRC	As a director of those subsidiaries of Star East
Chan Fut Yan	Paul Y. – ITC Construction Holdings Limited ("Paul Y. – ITC") and its subsidiaries	Property business in Hong Kong and the PRC	As the managing director of Paul Y. – ITC
Lam Shan	Certain subsidiaries of Star East	Property business in Hong Kong and the PRC	As a director of those subsidiaries of Star East

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Name of director	Name of company	Nature of competing business	Nature of interest
Chau Mei Wah, Rosanna	Star East and its subsidiaries	Property business in Hong Kong and the PRC	As the managing director of Star East
	Paul Y. – ITC and its subsidiaries	Property business in Hong Kong and the PRC	As an executive director of Paul Y. – ITC
	Certain subsidiaries of New World CyberBase Limited (“New World CyberBase”)	Property business in Hong Kong and the PRC	As a director of those subsidiaries of New World CyberBase
Mok Yat Fan, Edmond	Certain subsidiaries of Paul Y. – ITC	Property business in Hong Kong and the PRC	As a director of those subsidiaries of Paul Y. – ITC
	Certain subsidiaries of New World CyberBase	Property business in Hong Kong and the PRC	As a director of those subsidiaries of New World CyberBase

Save as disclosed above, none of the directors is interested in any business apart from the Group’s business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

The directors of the Company are of the opinion that the Group is capable of carrying on its business independently of, and at arm’s length from the competing businesses mentioned above.

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### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, the following shareholders had an interest of 10% or more in the share capital of the Company.

	Number of shares		Total interest	Percentage of issued share capital	Note
	Direct interest	Deemed interest			
CSH	–	864,076,620	864,076,620	76.0%	c
China WTO.com Limited (“CWTO”)	140,006,620	592,420,000	732,426,620	64.5%	a
Expert Commerce Limited	250,000,000	–	250,000,000	22.0%	a
Golden Flower Limited	342,420,000	–	342,420,000	30.1%	a
Wealthy Gain Limited	131,650,000	–	131,650,000	11.6%	b
Ruby Enterprises Limited (“REL”)	–	131,650,000	131,650,000	11.6%	b

Notes:

- Expert Commerce Limited, which directly owns 250,000,000 shares of the Company, and Golden Flower Limited, which directly owns 342,420,000 shares of the Company, are wholly-owned subsidiaries of CWTO. CWTO is a wholly-owned subsidiary of CSH and directly owns 140,006,620 shares of the Company. Accordingly, CWTO is deemed by the SDI Ordinance to be interested in an aggregate of 732,426,620 shares of the Company.
- Wealthy Gain Limited, which directly owns 131,650,000 shares of the Company, is a wholly-owned subsidiary of REL which in turn is a wholly-owned subsidiary of CSH. Accordingly, REL is deemed by the SDI Ordinance to be interested in an aggregate of 131,650,000 shares of the Company.
- As CSH held entire beneficial interest in the above companies as mentioned in notes (a) and (b), CSH is accordingly deemed by the SDI Ordinance to be interested in an aggregate of 864,076,620 shares of the Company.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2000.

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### DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions:

1. On 18th February, 2000, China-HK International Securities Limited ("China-HK Securities"), a wholly-owned subsidiary of the Company as purchaser and Mr. Lam Kwok Fai, Alfred ("Mr. Lam") as vendor entered into a conditional sale and purchase agreement (the "Agreement") for the acquisition of 37.25% interest in the capital of each of Berich Holdings Limited ("Berich Holdings") and Trade One Limited ("Trade One") for an aggregate consideration of HK\$45.0 million (the "Transaction").

Mr. Chung Chi Wah, a former director and a former chairman of the Company, held 40% of the then issued share capital of both Berich Holdings and Trade One.

Having regard to the change in the then substantial shareholder of the Company, China-HK Securities and Mr. Lam were of the view that it would take a much longer time for all the conditions of the Agreement to be fulfilled. Such delay was not acceptable to either China-HK Securities or Mr. Lam. Accordingly, the parties entered into a cancellation agreement on 31st March, 2000 to cancel the Transaction.

2. On 15th August, 2000, Holroyd Assets Limited, a wholly-owned subsidiary of the Company, entered into an agreement with 深圳經濟特區發展（集團）公司 Shenzhen Special Economic Zone Development (Group) Company ("SDGC") to dispose of the whole of the 6th floor of Shenzhen Development Centre for a consideration of approximately RMB13.4 million.

As SDGC is a substantial shareholder of a subsidiary of the Company, the transaction with SDGC constitutes a connected transaction under the Listing Rules.

The independent non-executive directors confirm that the above connected transactions were entered into by the Group in the ordinary course of its businesses and in accordance with the terms of the agreements governing such transactions.

Save as disclosed above, no contract of significance to which the Company, any of its holding companies, fellow subsidiaries or 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.

### DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$20,000.



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### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except in relation to Guideline 7 as non-executive directors are not appointed for a specific term but subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws. The directors consider this is complied with the specific terms requirement.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 38 to the financial statements.

### AUDITORS

During the year, Messrs. Moores Rowland, who acted as auditors of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill in the casual vacancy. A resolution will be submitted at the forthcoming annual general meeting to appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**CHAN KWOK HUNG**

*CHAIRMAN*

Hong Kong, 21st April, 2001