

The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 48 to the financial statements.

### CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed at a special general meeting held on 28th October, 2002, the name of the Company was changed from China Land Group Limited to Rosedale Hotel Group Limited with effect from 9th December, 2002. 珀麗酒店集團有限公司 was adopted as the new Chinese name of the Company in place of 中國置地集團有限公司 for identification purpose.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 21 of the annual report.

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

### GROUP REORGANISATION

During the year, the Company carried out a group reorganisation, which involved, inter alia, the followings:

#### Subscription of shares in the Company

On 22nd July, 2002, the Company entered into a conditional subscription agreement ("Subscription Agreement") with Ananda Wing On Travel (Holdings) Limited ("Ananda Wing On") pursuant to which Ananda Wing On agreed to subscribe for 1,000,000,000 new shares in the Company at a subscription price of HK\$0.30 per share, amounting to a total consideration of HK\$300 million.

#### Placing of shares and convertible notes in the Company

On 22nd July, 2002, the Company entered into a conditional placing agreement with an independent placing agent, in relation to the placing of 1,333,333,333 new shares in the Company on a best efforts basis at a placing price of HK\$0.30 per share. Due to the then market conditions, the said shares were not substantially placed and the placing agreement lapsed on 31st October, 2002.

On 28th October, 2002, the Company entered into two conditional convertible notes placing agreements with an independent placing agent for the placing of convertible notes of the Company with the principal aggregate amount of HK\$66 million (the "First Convertible Note Placing Agreement") and HK\$45 million respectively, on a best endeavour basis, convertible into shares of the Company at an initial conversion price of HK\$0.30 each.

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On 31st October, 2002, the Company entered into another conditional placing agreement ("Placing Agreement") with an independent placing agent for the placing of 45,000,000 new shares in the Company on a best endeavour basis at a placing price of HK\$0.20 per share.

## Acquisition of Shropshire Property Limited ("Shropshire")

On 22nd July, 2002, the Company entered into a conditional sale and purchase agreement with Ananda Wing On to acquire the entire issued share capital of Shropshire and the shareholder's loan of approximately HK\$44.4 million (the "First Sale and Purchase Agreement") for a consideration of HK\$110 million. The consideration was satisfied by the issue of 366,666,666 new shares in the Company at HK\$0.30 per consideration share. Shropshire has the right to acquire 60% interest in Luoyang Golden Gulf Hotel Co., Ltd. ("Luoyang Golden Gulf"). The principal asset of Luoyang Golden Gulf is the Golden Gulf Hotel located in Luoyang, the People's Republic of China (the "PRC").

## Acquisition of Rosedale Hotel Group Limited ("Rosedale")

On 22nd July, 2002, the Company entered into another conditional sale and purchase agreement with Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC") to acquire the entire issued share capital of Rosedale and the shareholder's loan of approximately HK\$482.5 million (the "Second Sale and Purchase Agreement") for a cash consideration of HK\$250 million. The principal asset of Rosedale is Best Western Rosedale on the Park located in Causeway Bay, Hong Kong.

## Acquisition of Makerston Limited ("Makerston")

On 22nd July, 2002, Clever Basin Holdings Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Hutchison Hotels Holdings (International) Limited ("Hutchison Hotels Holdings") to acquire the entire issued share capital of Makerston and the shareholder's loan of approximately HK\$605.6 million (the "Third Sale and Purchase Agreement") for a total consideration of HK\$515 million. The consideration was satisfied by cash in the amount of HK\$150 million and the issue of a promissory note for the principal amount of HK\$365 million. Makerston holds a 95% indirect interest in Beijing Harbour Plaza Co., Ltd. ("Beijing Harbour Plaza"), of which the principal asset is Rosedale Hotel & Suites ■ Beijing (formerly known as Beijing Harbour Plaza Hotel) located in Beijing, the PRC.

The Placing Agreement and the First Convertible Note Placing Agreement were completed on 29th November, 2002. The Subscription Agreement, the First, Second and Third Sale and Purchase Agreements were completed on 2nd December, 2002.

The Group reorganisation was approved by the shareholders of the Company at the special general meeting on 28th October, 2002. Details of the group reorganisation were set out in the circulars to the Company's shareholders dated 5th October, 2002 and 21st October, 2002 and joint announcements of China Strategic Holdings Limited ("CSH"), Ananda Wing On and the Company dated 7th November, 2002 and 3rd December, 2002.

### SHARE CAPITAL AND CONVERTIBLE NOTE

Pursuant to ordinary resolutions passed on 31st May, 2002 and 28th October, 2002, the authorised share capital of the Company was increased from US\$38 million to US\$60 million and then to US\$380 million by the creation of a total of 17,100,000,000 shares of US\$0.02 each.

Following the completion of the Subscription Agreement, the First Convertible Note Placing Agreement, Placing Agreement and the First Sale and Purchase Agreement, the Company issued and allotted an aggregate of 1,411,666,666 shares of US\$0.02 each and a convertible note of HK\$66 million. The net proceeds from the placing and subscription of approximately HK\$370 million were used for the financing of the acquisition of Rosedale and Makerston.

Details of these and other movements in the share capital and convertible note of the Company are set out in note 30 and 35 to the financial statements.

### CHANGES IN SUBSTANTIAL SHAREHOLDERS

Following the completion of the Placing Agreement on 29th November, 2002, the interest in the Company held by CSH and its subsidiaries ("CSH Group") was decreased from approximately 65.6% to 63.5% and was further decreased to 32.2% upon the completion of the Subscription Agreement and the First Sale and Purchase Agreement on 2nd December, 2002. On the same date, Ananda Wing On and its subsidiaries ("Ananda Wing On Group") held an aggregate of 1,366,666,666 shares, representing approximately 49.3% equity interest in the Company and became a substantial shareholder of the Company.

At 31st December, 2002, Ananda Wing On and CSH, the substantial shareholders of the Company in aggregate beneficially owned 2,259,883,286 shares of the Company representing approximately 81.5% of the issued share 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), CSH Group will take active steps to place approximately 180,000,000 shares of the Company, representing 6.5% of the issued share capital, to independent third parties.

Details of the Ananda Wing On Group's and CSH Group's interest in the share capital of the Company as at 31st December, 2002 are disclosed under the section "Substantial Shareholders".

### SUBSIDIARIES AND ASSOCIATES

During the year, the Group entered into an agreement with Vision Century Corporation Limited ("Vision Century") to acquire 65% interest in Wintime Property Developments Limited ("Wintime") and the shareholder's loan of approximately HK\$131 million for a total consideration of HK\$43.2 million and to dispose of the entire interest in Tenways Investments Limited together with the shareholder's loan of approximately HK\$44.5 million to Vision Century for a total consideration of HK\$43.2 million. The principal assets of Wintime are certain residential properties situated in Tuen Mun, Hong Kong.

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The Group also entered into an agreement to dispose of its entire 60% equity interest in Shenzhen Longchen Xinyuan Industrial Co., Ltd., ("Longchen Xinyuan") to an independent third party for a net consideration of approximately HK\$60 million. Longchen Xinyuan is principally engaged in the operation of a toll highway in Shenzhen, the PRC.

Details of the principal subsidiaries and associates of the Company and the Group at 31st December, 2002 are set out in note 48 and 20 to the financial statements, respectively.

## INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the balance sheet date and a deficit of approximately HK\$9.1 million was charged to the consolidated income statement.

Details of these and other movements in the 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, property, plant and equipment with an aggregate net book value of approximately HK\$1,185 million was acquired as a result of the acquisition of subsidiaries. Also, certain items of property, plant and equipment, including toll highway, with an aggregate net book value of approximately HK\$718 million were disposed of as a result of the disposal of subsidiaries.

The Group recognised impairment losses of approximately HK\$70 million, on its toll highway during the year, which have been charged to the consolidated income statement.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

## PROPERTIES UNDER/HELD FOR DEVELOPMENT

Movements in the properties under/held for development of the Group during the year are set out in note 17 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

**DIRECTORS**

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

**Executive directors:**

Chan Kwok Hung  
Chan Fut Yan  
Cheung Hon Kit  
Chau Mei Wah, Rosanna  
Mok Yat Fan, Edmond  
Wong Lai Shun, Benny (appointed on 14th March, 2003)  
Cheng Yin Ching, Anna  
Lee Kim Ying (resigned on 15th January, 2002)

**Independent non-executive directors:**

Wong Pui Fai  
Chan Shu Kin

In accordance with Clause 99 of the Company's Bye-Laws, Mr. Chan Fut Yan, Ms. Chau Mei Wah, Rosanna and Mr. Mok Yat Fan, Edmond retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

In accordance with Clause 102(B) of the Company's Bye-Laws, Mr. Wong Lai Shun, Benny, the newly appointed director, also retires at the forthcoming annual general meeting and, being eligible, offer himself 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.

**DIRECTORS' INTERESTS IN SECURITIES**

As at 31st December, 2002, none of the directors or the chief executive of the Company, nor their associates, had any interests in any securities of the Company or any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

As at the date of the directors' report, the total number of shares available for issue under the Company's share option scheme is 136,241,929, representing 4.9% of the shares of the Company in issue at the date of this report.

At no time during the year was the Company, 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 and neither the directors nor the chief executive, 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 rights.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or 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.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Interests of directors of the Company in competing businesses as at 31st December, 2002 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 Fut Yan	ITC Corporation Limited ("ITC") and its subsidiaries	Property business in mainland China	As an executive director of ITC
	Paul Y. - ITC and its subsidiaries	Property business in mainland China	As the managing director of Paul Y. - ITC
Cheung Hon Kit	ITC and its subsidiaries	Property business in mainland China	As an executive director of ITC
	Paul Y. - ITC and its subsidiaries	Property business in mainland China	As an executive director of Paul Y. - ITC

Name of director	Name of company	Nature of competing business	Nature of interest
Chau Mei Wah, Rosanna	ITC and its subsidiaries	Property business in mainland China	As the managing director of ITC
	Paul Y. - ITC and its subsidiaries	Property business in mainland China	As an executive director of Paul Y. - ITC
	Star East Holdings Limited ("Star East") and its subsidiaries	Property business in mainland China	As an executive director of Star East
Mok Yat Fan, Edmond	Certain subsidiaries of Paul Y. - ITC	Property business in mainland China	As a director of those subsidiaries of Paul Y. - ITC

The changes of interests of the directors of the Company in competing businesses previously disclosed in the 2001 Annual Report of the Company are set out below:

1. Mr. Chan Fut Yan, Mr. Cheung Hon Kit and Ms. Chau Mei Wah, Rosanna declared that (1) at 31st December, 2002, the Company's property business in Hong Kong was insignificant and therefore was not considered as competing with the said business of Paul Y. - ITC; (2) Paul Y. - ITC has become a subsidiary of ITC since December 2002. In this connection, ITC is considered to have competing business with the Company in property business in mainland China through Paul Y. - ITC and its subsidiaries.
2. Mr. Mok Yat Fan, Edmond declared that as at 31st December, 2002 the Company's property business in Hong Kong was insignificant and therefore was not considered as competing with the said business of Paul Y. - ITC.

Having considered the nature, size and scope of the above businesses, the directors of the Company believe that there is unlikely to be any significant competition with the businesses of the Company and/or its subsidiaries.

The directors of the Company are of the opinion that the Company and/or its subsidiaries are capable of carrying on its businesses independently of, and at arm's length from, the competing businesses mentioned above.

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

# Directors' Report

## CONNECTED TRANSACTIONS

On 22nd July, 2002, the Company entered into the First Sale and Purchase Agreement and the Subscription Agreement with Ananda Wing On. Ananda Wing On is an associate of the Company's controlling shareholder, CSH Group. The transactions with Ananda Wing On constitutes connected transactions under the Listing Rules. Under the First Sale and Purchase Agreement, Ananda Wing On has also undertaken to settle the last instalment of HK\$46,200,000 in relation to the acquisition of Luoyang Golden Gulf.

On 2nd October, 2002, Ananda Wing On has further undertaken to indemnify the Company against any loss that may suffer as a result of failure to complete the transfer of the land use rights of Luoyang Golden Gulf Hotel, including any payment of land premium for such transfer. It was estimated by a PRC property appraisal that the land premium was approximately RMB39.7 million.

Since the date Ananda Wing On became an associate of CSH Group, the Group provided hotel rooms and other ancillary hotel services to Ananda Wing On amounting HK\$618,000.

The independent non-executive directors confirm that the transactions were entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, 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:

	Direct interest	Number of shares Deemed interest	Total interest	Percentage of issued share capital	Note
Ananda Wing On	-	1,366,666,666	1,366,666,666	49.3%	(a)
Ananda Wing On Travel (BVI) Limited ("AWOTBVI")	-	1,366,666,666	1,366,666,666	49.3%	(a)
Millennium Target Holdings Limited ("MTHL")	1,366,666,666	-	1,366,666,666	49.3%	(a)
CSH	-	893,216,620	893,216,620	32.2%	(b)
China WTO.com Limited ("CWTO")	140,006,620	592,420,000	732,426,620	26.4%	(c)
Golden Flower Limited	342,420,000	-	342,420,000	12.3%	(c)

Notes:

- (a) Ananda Wing On holds the entire beneficial interest in AWOTBVI which in turn holds the entire beneficial interest in MTHL, Ananda Wing On and AWOTBVI are accordingly deemed by the SDI Ordinance to be interested in 1,366,666,666 shares in the Company respectively.
- (b) Wealthy Gain Limited, which directly owns 160,790,000 shares in the Company, and CWTO are both wholly-owned subsidiaries of CSH, CSH is accordingly deemed by the SDI Ordinance to be interested in an aggregate of 893,216,620 shares in the Company.



- (c) Expert Commerce Limited, which directly owns 250,000,000 shares in the Company, and Golden Flower Limited, which directly owns 342,420,000 shares in 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 in the Company.

Save 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, 2002.

### MAJOR CUSTOMERS AND SUPPLIERS

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

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except in relation to Guideline 1 as certain directors frequently travelled abroad for overseas business trips and were unable to attend the board meetings when convened and held and Guideline 7 as non-executive directors are not appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

### 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.

### POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 to the financial statements.

### AUDITORS

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

On behalf of the Board

### CHAN KWOK HUNG

*Chairman*

Hong Kong, 23rd April, 2003