

## Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2000.

### Principal Activities

The Company acts as an investment holding company. The principal activities of the subsidiaries and infrastructure joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways in the People's Republic of China ("PRC") and details of which are set out in notes 19 and 20 to the financial statements.

### Results and Appropriations

The results of the Group for the year ended 31 December 2000 are set out in the consolidated income statement on page 42.

An interim dividend of HK\$0.19 per share amounting to HK\$96,169,000 was paid to the shareholders on 18 August 2000. The convertible preference shares dividend of HK\$38,879,000 was paid during the year.

The directors recommend the payment of a final dividend of HK\$0.07 per share to the shareholders on the register of members on 14 May 2001 amounting to HK\$35,431,000.

### Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on pages 86 and 87.

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### Share Capital, Share Options and Warrants

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

### Reserves

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

### Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the financial statements.

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### Connected Transaction

On 11 September 2000, a revolving credit agreement (the "Revolving Credit Agreement") was entered into between More Growth Finance Limited ("More Growth"), an indirectly wholly owned subsidiary of the Company, and Chai-Na-Ta Corp. ("CNT"), a 62% owned subsidiary of the Company.

Pursuant to the Revolving Credit Agreement, More Growth agreed to provide C\$5 million (approximately HK\$25,731,000) unsecured revolving credit bearing interest at the Canadian prime rate plus 2.5% per annum for a term of three months extendable for another three months upon maturity with an extension fee equal to 1% of the commitment amount. The purpose of the fund was to provide working capital to CNT during harvest of the year.

Subsequent to the balance sheet date, the above loan was extended for another six months upon maturity with an extension fee equal to 1% of the commitment amount.

The above transaction was structured on normal commercial terms and has been approved by the Board of Directors of the Company.

### Directors and Directors' Service Contracts

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

*Executive directors:*

Zen Wei Pao, William (*Chairman*)

Ko Yuk Bing (*Managing Director & Chief Executive Officer*)

Chui Chi Keung, Raymond (*Finance Director*) (appointed on 22 November 2000)

Zen Wei Peu, Derek

Fong Shiu Leung, Keter (appointed on 25 July 2000)

Lee Kam Hung, Alan (resigned on 1 May 2000)

Nip Yun Wing, Horace (resigned on 21 September 2000)

*Non-executive directors:*

Brian Souter

Cheng Wai Po, Samuel (appointed on 23 October 2000 as alternate to Brian Souter)

Keith Robertson Cochrane

Martin Andrew Griffiths (appointed on 19 June 2000 as alternate to Keith Robertson Cochrane)

Law Hung Kuen, Janson

Leung Man Kit, Michael (alternate to Law Hung Kuen, Janson)

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### Directors and Directors' Service Contracts (Continued)

#### *Non-executive directors: (continued)*

Yu Kit Wai, Laetitia	(ceased to act as alternate to Lee Kiu Wing, Kenneth on 19 June 2000, appointed on 19 June 2000 as alternate to Chow Kai Chiu, David, and ceased to act as alternate to Chow Kai Chiu, David on 5 December 2000, and appointed on 22 January 2001)
James Herbert Stewart	(appointed on 28 March 2001 as alternate to Yu Kit Wai, Laetitia)
Lee Kiu Wing, Kenneth	(resigned on 19 June 2000)
Chow Kai Chiu, David	(appointed on 19 June 2000 and resigned on 5 December 2000)

#### *Independent non-executive directors:*

Chan Hing Chiu, Vincent  
Chow Shiu Kee, Stephen

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Chui Chi Keung, Raymond, Fong Shiu Leung, Keter, Law Hung Kuen, Janson, Yu Kit Wai, Laetitia, Chan Hing Chiu, Vincent and Chow Shiu Kee, Stephen shall retire by rotation and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

Commencing from 1 May 2000, each of the executive directors, except for Chui Chi Keung, Raymond and Fong Shiu Leung, Keter, entered into a new service contract for a term of three years.

Chui Chi Keung, Raymond and Fong Shiu Leung, Keter entered into service contracts with the Company subsequent to their appointments. The service contract with Chui Chi Keung, Raymond is for a term of three years commencing from 22 November 2000. The service contract with Fong Shiu Leung, Keter is for a term of three years commencing from 25 July 2000.

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

None of the 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).

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### Directors' Interests in Contracts

No contracts 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.

### Directors' Interests in Securities

#### (i) Shares and warrants

At 31 December 2000, the interests of the directors and their associates in the share capital and warrants of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<b>Name of director</b>	<b>Number of ordinary shares held under personal interests</b>	<b>Number of warrants held under personal interests</b>
Zen Wei Peu, Derek	1,206,645	241,329

#### (ii) Options

The Company has a share option scheme under which directors and employees of the Company and any of its subsidiaries may be granted options to subscribe for shares in the Company. Details of the share option scheme and a summary of the movement of options granted during the year are set out in note 27 to the financial statements.

Other than disclosed in note 27 to the financial statements, 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 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 right.

Other than disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 31 December 2000, neither the directors nor their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### Arrangements to Acquire Shares or Debentures

Other than the share option scheme as mentioned earlier, 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.

# Directors' Report

## Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to 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 as at 31 December 2000:

Name	Number of ordinary shares
ZWP Investments Limited	187,066,766
Wai Kee China Investments Company Limited ( <i>Note 1</i> )	187,066,766
Wai Kee China Investments (BVI) Company Limited ( <i>Note 2</i> )	187,066,766
Groove Trading Limited	66,000,000
Wai Kee (Zens) Holding Limited ( <i>Note 3</i> )	253,066,766
Wai Kee Holdings Limited ( <i>Note 4</i> )	253,066,766
Precis (1628) Limited	118,106,294
Stagecoach Holdings PLC ( <i>Note 5</i> )	118,106,294

### Notes:

1. ZWP Investments Limited is a wholly-owned subsidiary of Wai Kee China Investments Company Limited ("Wai Kee China Investments"). By virtue of the SDI Ordinance, Wai Kee China Investments was deemed to be interested in the shares of the Company.
2. Wai Kee China Investments (BVI) Company Limited ("Wai Kee China BVI") beneficially owned all the issued ordinary shares in the capital of Wai Kee China Investments. By virtue of the SDI Ordinance, Wai Kee China BVI was deemed to be interested in the shares of the Company.
3. Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") beneficially owned all the issued ordinary shares in the capital of Wai Kee China BVI and Groove Trading Limited. By virtue of the SDI Ordinance, Wai Kee (Zens) was deemed to be interested in the shares of the Company.
4. Wai Kee Holdings Limited ("Wai Kee Holdings") beneficially owned all the issued ordinary shares in the capital of Wai Kee (Zens). By virtue of the SDI Ordinance, Wai Kee Holdings was deemed to be interested in the shares of the Company.
5. Precis (1628) Limited is a wholly-owned subsidiary of Stagecoach Holdings PLC ("Stagecoach"). By virtue of the SDI Ordinance, Stagecoach was deemed to be interested in the shares of the Company.

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## Purchase, Sale or Redemption of the Company's Listed Securities and Secured Loans

During the year, the Company repurchased certain of its own shares, details of which are set out in note 27 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2000.

Details of the repurchase of certain secured loans are set out in note 30 to the financial statements.

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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.

### Major Customers and Suppliers

The principal business of the Group is to invest in, develop, operate and manage toll roads and expressways in the PRC. There are no major customers and suppliers in view of its nature of business.

### Code of Best Practice

The Company has complied throughout the year ended 31 December 2000 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 ("Listing Rules").

### Audit Committee

Pursuant to the requirements of the Listing Rules, the Company had on 30 July 1998 established an Audit Committee comprising three members (two of them being independent non-executive directors) with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

### Practice Note 19 to the Listing Rules

In compliance with Practice Note 19 to the Listing Rules, the following information is disclosed:

#### 1. Pursuant to part 3.3 of the Practice Note 19:

- (a) All the Group's investments in highway projects take the form of Sino-foreign co-operative joint venture. Except for one joint venture, all the remaining 37 joint ventures are regarded as infrastructure joint ventures irrespective of whether our interests exceed 50% or not. The investments are in the form of both registered capital and loan. The size of loans made by the Group and by the other joint venture partner(s) to each joint venture is in proportion to the respective interests in each joint venture.
- (b) During the year, the Group has provided a guarantee of HK\$155 million to a bank in respect of bank facilities utilized by infrastructure joint ventures.
- (c) The total amount of loans to the infrastructure joint ventures is HK\$2.78 billion which exceeds 66% of the Group's net assets as at 31 December 2000. The loans are actually part of the investments and are unsecured, interest free and have no definite repayment terms.
- (d) The loans to the infrastructure joint ventures were funded by equities raised at the listing of the Company or by borrowings or internal resources of the Group.

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## Practice Note 19 to the Listing Rules (Continued)

<b>PRC Infrastructure Joint Ventures</b>	<b>% of interest held indirectly by the Company</b>	<b>Loan to joint venture HK\$'000</b>	<b>Outstanding loan to be injected HK\$'000</b>
Anhui Road Universe Hefei Highway Development Co., Ltd.	50%	5,684	–
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited	60%	75,663	–
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited	60%	67,252	–
Anhui Road Universal Liuan Highway Development Co., Ltd.	50%	–	–
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd.	60%	19,332	26,781
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd.	60%	78,083	–
Bengbu Road King Huai-Meng Highway Development Co., Ltd.	60%	57,200	–
Foshan Guangsan Special-Use Automobile Highway Co., Ltd.	35%	198,144	–
Guangxi Hengjing Highway Development Co., Ltd.	70%	61,513	18,384
Guangxi Lutong Highway Development Co., Ltd.	70%	81,800	15,793
Handan Rongguang Highway Development Co., Ltd.	70%	79,223	–
Handan Xinguang Highway Development Co., Ltd.	70%	80,474	–
Hunan Changyi (Baining) Expressway Co., Ltd.	43.17%	58,635	–
Hunan Changyi (Cangyi) Expressway Co., Ltd.	43.17%	59,832	–
Hunan Changyi (Changbai) Expressway Co., Ltd.	43.17%	59,567	–
Hunan Changyi (Hengchang) Expressway Co., Ltd.	43.17%	61,465	–
Hunan Changyi (Ningheng) Expressway Co., Ltd.	43.17%	59,510	–
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.	43.17%	47,346	–
Jieyang Hong Jia Highway Co., Ltd.	50%	73,332	–
Jieyang Hong Jing Highway Co., Ltd.	50%	74,020	–
Jieyang Hui Tong Highway Co., Ltd.	50%	95,439	–
Jieyang Jun Tong Highway Co., Ltd.	50%	65,341	–
Liuan Road Universe Liuye Highway Development Co., Ltd.	50%	4,410	–
Liuan Road Universe Pihe Bridge Development Co., Ltd.	50%	6,813	–
Luodingshi Luochong Highway Company Limited	61%	114,726	–
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd.	50%	68,352	–
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd.	50%	59,025	–
Shanxi Lutong Dongguan Highway Co., Ltd.	65%	99,693	–
Shanxi Lutong Taigu Highway Co., Ltd.	60%	76,080	–
Shanxi Lutong Taiyu Highway Co., Ltd.	65%	75,938	–
Shanxi Lutong Xiaodian Fenhe Highway Bridge Co., Ltd.	25%	7,646	–
Shanxi Lutong Yuci Highway Co., Ltd.	65%	60,460	–
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd.	45%	406,342	–
Shijiazhuang Luhui Road & Bridge Development Co., Ltd.	60%	85,462	–
Shijiazhuang Luxin Road & Bridge Development Co., Ltd.	60%	48,443	–
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd.	50%	120,874	–
Wujin Road King Changcao Highway Development Co., Ltd.	60.24%	83,966	–
		2,777,085	60,958

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### Practice Note 19 to the Listing Rules (Continued)

#### 2. Pursuant to part 3.7.1 of Practice Note 19:

The Group has a syndicated bank loan facility of an outstanding amount of about US\$105 million which will mature on 22 January 2002. Throughout the continuance of the facility, Wai Kee Holdings Limited, the controlling shareholder of the Company, currently holding 49.998% of issued share capital of the Company, is required to maintain directly or indirectly not less than thirty-five per cent. (35%) of each class of the issued voting share capital of the Company.

#### 3. Pursuant to part 3.10 of Practice Note 19:

The summary of aggregate financial information of the infrastructure joint ventures, based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31 December 2000, is as follows:

<b>Balance sheet</b>	<b>2000</b> HK\$'000
Property, plant and equipment	<b>8,633,901</b>
Other assets	<b>1,671</b>
Current assets	<b>401,370</b>
Current liabilities	<b>(352,130)</b>
Net current assets	<b>49,240</b>
Amounts due to joint venture partners	<b>(4,205,255)</b>
Net assets	<b>4,479,557</b>

Details of the Group's attributable interest in the infrastructure joint ventures are set out in note 20 to the financial statements.

4. Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to Practice Note 19.

### Donations

During the year, the Group made charitable and other donations amounting to HK\$278,200.

### Auditors

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

On behalf of the Board

**Zen Wei Pao, William**

*CHAIRMAN*

Hong Kong

28 March 2001