

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of Guangdong Investment Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and operations on core businesses being utilities, infrastructure, property and hotels, with particular emphasis on the first two of these. Details of the principal activities of the principal subsidiaries, principal associates and a jointly controlled entity are set out in notes 50, 45 and 44 to the financial statements respectively.

During the year, the Group disposed of its entire interests in Far East Landfill Technologies Limited, the Guangdong Timber group and the Guangdong Finance group and acquired 81% of the ordinary share capital of GH Water Supply (Holdings) Limited which holds a 99% interest in 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited).

SEGMENTED INFORMATION

An analysis of the Group’s turnover and loss from operating activities after finance costs by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover	Profit/(Loss)
	HK\$ million	from operating activities after finance costs
		HK\$ million
By activity:		
Utilities	638	131
Infrastructure	9	12
Property investment and development	804	(267)
Hotels	312	(337)
Industrials	2,144	(262)
Retail, trading and travel	968	(134)
Finance and others	73	(312)
	<hr/>	<hr/>
	4,948	(1,169)
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REPORT OF THE DIRECTORS (CONT'D)

SEGMENTED INFORMATION (CONT'D)

	Turnover <i>HK\$ million</i>	Profit/(Loss) from operating activities after finance costs <i>HK\$ million</i>
By geographical area:		
The People's Republic of China		
Mainland China	4,141	(193)
Hong Kong Special Administrative Region ("Hong Kong")	779	(957)
Others	28	(19)
	<hr/> 4,948 <hr/>	<hr/> (1,169) <hr/>

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 41 to 159.

The Directors do not recommend the payment of any dividend on the ordinary shares of HK\$0.50 each (the "Ordinary Shares") for the year ended 31 December 2000.

A dividend on the 3¼% redeemable cumulative convertible preference shares (the "Preference Shares") in respect of the semi-annual period from 7 October 2000 to 6 April 2001 was not paid on the due date, 7 April 2001. Such unpaid dividends will be accumulated and be paid in preference to any dividend in respect of the Ordinary Shares of the Company. The total accrued preference share dividends as at 31 December 2000 were HK\$49,096,000 (1999: HK\$27,076,000).

REPORT OF THE DIRECTORS (CONT'D)

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years extracted from the audited financial statements and reclassified as appropriate, is set out below:

Results

	Year ended 31 December				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TURNOVER	4,947,984	5,359,442	6,280,900	7,145,183	6,471,842
PROFIT/(LOSS) FROM OPERATING					
ACTIVITIES AFTER FINANCE COSTS	(1,168,591)	(2,463,046)	(1,937,896)	955,661	794,728
Share of profit of a jointly controlled entity	15,397	10,603	13,526	7,980	—
Share of profits less losses of associates	8,298	51,318	(19,402)	(3,028)	18,798
PROFIT/(LOSS) BEFORE TAX	(1,144,896)	(2,401,125)	(1,943,772)	960,613	813,526
Tax	(127,078)	(51,565)	(67,803)	(81,418)	(69,499)
PROFIT/(LOSS) BEFORE MINORITY					
INTERESTS	(1,271,974)	(2,452,690)	(2,011,575)	879,195	744,027
Minority interests	(84,328)	75,337	(21,219)	(138,829)	(155,801)
NET PROFIT/(LOSS) FROM ORDINARY					
ACTIVITIES ATTRIBUTABLE TO					
SHAREHOLDERS	(1,356,302)	(2,377,353)	(2,032,794)	740,366	588,226

REPORT OF THE DIRECTORS (CONT'D)

SUMMARY OF FINANCIAL INFORMATION (CONT'D)

Assets and Liabilities

	As at 31 December				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
FIXED ASSETS	10,826,482	6,725,972	7,730,038	7,967,964	7,411,125
PROPERTIES UNDER DEVELOPMENT	406,956	537,568	783,756	748,306	646,660
INVESTMENT PROPERTIES	2,894,255	3,234,067	3,510,396	5,124,731	3,305,360
INTEREST IN A JOINTLY CONTROLLED ENTITY	929,662	872,157	867,684	1,054,344	—
INTERESTS IN ASSOCIATES	604,003	592,155	568,119	543,609	406,631
CONTRACTUAL JOINT VENTURES	245,725	324,878	459,736	498,765	279,738
OPERATING RIGHT	14,615,619	—	—	—	—
OTHER ASSETS	5,394,077	4,614,090	5,931,337	7,596,184	5,835,511
TOTAL ASSETS	35,916,779	16,900,887	19,851,066	23,533,903	17,885,025
BONDS	(1,313,906)	(1,244,404)	(1,180,880)	(1,043,728)	—
FLOATING RATE NOTES	(826,726)	(823,811)	(819,804)	(1,160,100)	(1,160,550)
OTHER LOANS AND LIABILITIES	(22,325,476)	(8,383,068)	(9,712,429)	(10,329,612)	(6,600,667)
DEFERRED TAX	(2,285)	(2,739)	(2,739)	(2,739)	(2,737)
MINORITY INTERESTS	(2,931,253)	(1,923,991)	(1,982,012)	(2,515,713)	(1,966,249)
TOTAL LIABILITIES	(27,399,646)	(12,378,013)	(13,697,864)	(15,051,892)	(9,730,203)
NET ASSETS	8,517,133	4,522,874	6,153,202	8,482,011	8,154,822

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Company and the Group during the year are set out in notes 14 and 16 to the financial statements, respectively.

REPORT OF THE DIRECTORS (CONT'D)

PROPERTIES UNDER DEVELOPMENT

Details of movements in properties under development of the Group during the year are set out in note 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries, including those of the deconsolidated subsidiaries of the Company and the Group, are set out in note 50 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of interests in a jointly controlled entity and principal associates of the Company and the Group are set out in notes 44 and 45 to the financial statements, respectively.

BONDS

Details of the bonds of the Company and the Group are set out in note 33 to the financial statements.

FLOATING RATE NOTES

Details of the floating rate notes of the Company are set out in note 34 to the financial statements.

ORDINARY SHARE CAPITAL, PREFERENCE SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's ordinary share capital, preference share capital and share options during the year are set out in note 41 to the financial statements.

SHARE PREMIUM ACCOUNTS AND RESERVES

Details of movements in the share premium accounts and reserves of the Company and the Group during the year are set out in note 42 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2000, the Company did not have any reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

BANK LOANS, OVERDRAFTS AND OTHER LOANS

Details of bank loans, overdrafts and other loans of the Company and the Group are set out in note 32 to the financial statements.

INTEREST CAPITALISED

During the year, the Group capitalised interest of HK\$650,000 in respect of the Group's property development projects and contract work in progress.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$486,000 (1999: HK\$379,000).

SHARE OPTIONS OF THE COMPANY, ITS SUBSIDIARIES AND ASSOCIATED CORPORATION

(i) The Company

Pursuant to the share option scheme of the Company (the "Share Option Scheme") adopted on 2 February 1994 and amended on 29 December 1997, and which will expire on 1 February 2004, the Company had 17,545,000 outstanding options as at 31 December 2000 entitling the holders to subscribe for 17,545,000 Ordinary Shares of the Company.

Pursuant to the Share Option Scheme, the Board of Directors may at their discretion offer to any director and/or employee of the Group options to subscribe for Ordinary Shares of the Company.

The price per Ordinary Share payable on the exercise of an option under the Share Option Scheme as determined by the Directors will be a price being equal to the higher of the nominal value of the Ordinary Shares and an amount not less than 80% of the average of the closing prices of the Ordinary Shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the five business days immediately preceding the date of grant of the option.

During the year, no option was granted to the directors and/or employees of the Group.

Details of the options granted and exercised under the Share Option Scheme during the year are set out in note 41 to the financial statements.

(ii) Guangdong Brewery Holdings Limited ("GD Brewery")

Pursuant to the share option scheme of GD Brewery, a subsidiary of the Company, adopted on 22 July 1997 and which will expire on 21 July 2007, the directors of GD Brewery may at their discretion grant options to executives and/or employees of GD Brewery and its subsidiaries to subscribe for shares of GD Brewery (the "GD Brewery shares").

The price per GD Brewery share payable on the exercise of an option under the share option scheme of GD Brewery as determined by the directors of GD Brewery will be a price being equal to the higher of the nominal value of the GD Brewery shares and an amount not less than 80% of the average of the closing prices of the GD Brewery shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option.

REPORT OF THE DIRECTORS (CONT'D)

SHARE OPTIONS OF THE COMPANY, ITS SUBSIDIARIES AND ASSOCIATED CORPORATION (CONT'D)

(ii) Guangdong Brewery Holdings Limited ("GD Brewery") (Cont'd)

During the year, no option was granted to and/or exercised by the executives and/or employees of GD Brewery and its subsidiaries.

As at 31 December 2000, there were 9,450,000 outstanding options of which the holders are entitled to subscribe for 9,450,000 shares in the capital of GD Brewery at an exercise price of HK\$2.1 per share.

(iii) Guangdong Building Industries Limited ("GD Building")

Pursuant to the resolutions passed by the shareholders of GD Building on 8 May 1995, options were granted to certain directors of GD Building on 11 September 1995 to subscribe for ordinary shares in GD Building on or before 5:01 p.m. Australian time on the business day preceding the fifth anniversary of 11 September 1995, the expiry date of the said options (i.e. 8 September 2000).

During the year, no option was granted to and/or exercised by the directors of GD Building.

As at 31 December 2000, there was no outstanding option of which the holders are entitled to subscribe for ordinary share in the capital of GD Building.

GD Building was a subsidiary of the Company during the year but has ceased to be such subsidiary upon completion of the disposal by the Company of all its shareholding in GD Building in March 2001.

(iv) Guangdong Tannery Limited ("GD Tannery")

Pursuant to the share option scheme of GD Tannery, a subsidiary of the Company, adopted on 26 November 1996 and which will expire on 25 November 2006, the directors of GD Tannery may at their discretion grant options to directors and/or employees of GD Tannery or its subsidiaries to subscribe for ordinary shares of GD Tannery (the "GD Tannery shares").

The price per GD Tannery share payable on the exercise of an option under the share option scheme of GD Tannery as determined by the directors of GD Tannery will be a price being equal to the higher of the nominal value of the GD Tannery shares and an amount not less than 80% of the average of the closing prices of the GD Tannery shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option.

During the year, no option was granted to and/or exercised by the directors and/or employees of GD Tannery and its subsidiaries.

SHARE OPTIONS OF THE COMPANY, ITS SUBSIDIARIES AND ASSOCIATED CORPORATION (CONT'D)

(iv) Guangdong Tannery Limited ("GD Tannery") (Cont'd)

As at 31 December 2000, there were 13,900,000 outstanding options of which the holders are entitled to subscribe for 7,300,000 ordinary shares, 2,000,000 ordinary shares and 4,600,000 ordinary shares in the capital of GD Tannery at an exercise price of HK\$1.3936, HK\$2.224 and HK\$2.144 per ordinary share respectively.

(v) Guangnan (Holdings) Limited ("Guangnan")

Pursuant to the share option scheme of Guangnan, an associated corporation of the Company, adopted on 21 November 1994 and expiring on 20 November 2004, the directors of Guangnan may at their discretion grant options to directors and/or employees of Guangnan and its subsidiaries to subscribe for ordinary shares of Guangnan (the "Guangnan shares").

The price per Guangnan share payable on the exercise of an option under the share option scheme of Guangnan to be determined by the directors of Guangnan will be a price being not less than the higher of the nominal value of the Guangnan shares and an amount of 80% of the average of the closing prices of the Guangnan shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option.

During the year, no option was granted to and/or exercised by the directors and/or employees of Guangnan and its subsidiaries.

As at 31 December 2000, there were 8,130,000 outstanding options of which the holders are entitled to subscribe for 4,610,000 ordinary shares, 1,600,000 ordinary shares, 320,000 ordinary shares and 1,600,000 ordinary shares in the capital of Guangnan at an exercise price of HK\$7.064, HK\$9.6, HK\$9.336 and HK\$4.08 per ordinary share respectively.

Details of the options of the Company, GD Brewery, GD Building, GD Tannery and Guangnan held by the Directors of the Company are set out in the section headed "Directors' Interests in Securities" of this report.

Save as disclosed above, 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.

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS

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

WU Jiesi (Honorary President)	(Appointed Chairman effective 14 March 2000 and ceased to act as Chairman effective 16 March 2001; appointed Honorary President on 16 March 2001)
LI Wenyue (Chairman)	(Appointed Managing Director effective 14 March 2000 and ceased to act as Managing Director effective 16 March 2001; appointed as Chairman on 16 March 2001)
ZHANG Yaping (Managing Director)	(Appointed effective 16 March 2001)
* CHAN Cho Chak, John	
* LI Kwok Po, David	
* CHENG Mo Chi, Moses	
* FUNG Daniel Richard	(Appointed effective 3 January 2000)
ZHONG Guangchao	
YE Xuquan	(Appointed effective 30 May 2000)
LI Wai Keung	(Appointed effective 30 May 2000)
WANG Man Kwan, Paul	(Appointed effective 25 May 2000)
SU Qun	(Appointed effective 30 May 2000)
GU Shunan	(Appointed effective 30 May 2000)
XIAO Zhaoyi	(Appointed effective 30 May 2000)
KANG Dian	(Resigned effective 31 October 2000)
LIN Rongyao	(Resigned effective 30 May 2000)
HOU Bojian	(Resigned effective 30 May 2000)
TANG Zhen	(Resigned effective 30 May 2000)
OU Zhushuo	(Resigned effective 30 May 2000)
HO LAM Lai Ping, Theresa	(Resigned effective 30 May 2000)
CHEN Maoqi	(Resigned effective 13 April 2000)
CAI Jinghua	(Resigned effective 13 April 2000)
AU Wai Ming	(Resigned effective 7 March 2000)
CHAN Wing Yuen, Hubert	(Resigned effective 1 February 2000)
HUI Ho Ming, Herbert	(Resigned effective 15 January 2000)

* Independent Non-Executive Director

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS (Cont'd)

In accordance with Articles 77 to 79 of the Articles of Association of the Company, apart from the Managing Director, all the Directors are subject to retirement and re-election provisions at the annual general meeting.

Mr. LI Wenyue, Mr. CHAN Cho Chak, John, Dr. LI Kwok Po, David and Mr. LI Wai Keung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. CHAN Cho Chak, John, Dr. LI Kwok Po, David and Mr. LI Wai Keung, non-executive directors, agree to stand for re-election and if re-elected to hold office from the date of re-election, to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2004 and (ii) 30 June 2004 subject to earlier determination in accordance with the Articles of Association of the Company and/or applicable laws and regulations.

Biographical details of the Directors and senior executives of the Company as at the date of this report are set out on pages 14 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a material beneficial interest, whether directly or indirectly, in any significant contract to which the Company or any of its subsidiaries was a party during the year or as at 31 December 2000.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Messrs. WU Jiesi, LI Wenyue and YE Xuquan, Directors of the Company, are also directors of 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) ("Yue Gang Investment") and GDH Limited. Messrs. ZHANG Yaping, LI Wai Keung and SU Qun, Directors of the Company, are also directors of GDH Limited. GDH Limited is a wholly-owned subsidiary of Yue Gang Investment. Yue Gang Investment and its subsidiaries other than the Group (the "Yue Gang Investment Group") has a range of business interests which include property, hotels, infrastructure, manufacturing, brewing, water treatment investment and moneylending. The aforementioned business interests of the Yue Gang Investment Group cover the same or similar areas as some of those of the Group. However the Directors do not believe that any of the businesses of the Yue Gang Investment Group compete either directly or indirectly in any material respect with those of the Group.

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2000, the interests of the Directors in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules") were as follows:

I. Shares

(i) The Company

Name of Director	Type of interest	Number of Ordinary Shares held
GU Shunan	Personal	76,000

(ii) Guangnan

Name of Director	Type of interest	Number of Ordinary Shares held
LI Kwok Po, David	Personal	150,000

II. Options

(i) The Company

Name of Director	Number of options held 1 January 2000	Options granted during the year Date Number granted	Period during which option is exercisable	Price per Ordinary Share payable on exercise of option HK\$	Number of options exercised during the year	Number of options held 31 December 2000
ZHONG Guangchao	3,000,000	— —	19 August 1998–18 August 2003*	2.892	—	3,000,000

* If 18 August 2003 is not a business day in Hong Kong, the option period shall end on the business day preceding that day.

No consideration has been paid by any of the Directors for the options granted by the Company.

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS' INTERESTS IN SECURITIES (CONT'D)

II. Options (Cont'd)

Save as disclosed above, as at 31 December 2000, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Hong Kong Listing Rules.

Save as disclosed above, the Company or any of its associated corporations did not grant to any Director or chief executive of the Company, spouse or children under 18 years of age of any such Director or chief executive any right to subscribe for equity or debt securities of the Company or any of its associated corporations, nor had there been any exercise of such right by such persons during the year under review.

SUBSTANTIAL SHAREHOLDER

As at 31 December 2000, the following interest of 10% or more of the issued ordinary share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Ordinary Shares held	Percentage holding
廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited)	2,701,226,252	55.49
GDH Limited	2,701,226,252	55.49
Guangdong Trust Limited	583,140,146	11.98

Notes:

1. The attributable interest which 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) has in the Company is held through its 100% direct interest in GDH Limited.
2. The interest in GDH Limited set out above includes attributable interest held through its wholly-owned subsidiary, Guangdong Trust Limited.

REPORT OF THE DIRECTORS (CONT'D)

SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDER

On 16 December 1999, the Company entered into a conditional share sale agreement with GDH Limited as supplemented by agreements dated 30 June 2000, 12 September 2000 and 15 December 2000 respectively relating to the acquisition by the Company of 81,000,000 ordinary shares in, and representing 81% of the ordinary share capital of GH Water Supply (Holdings) Limited from GDH Limited and the payment of US\$20 million by GDH Limited to the Company (the "Acquisition"). The completion of the Acquisition took place on 22 December 2000. Further details of the agreements are set out in the Company's announcement dated 15 December 1999 and the circular dated 15 September 2000 despatched by the Company to its shareholders relating to the Acquisition.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of its listed securities save and except that: (i) the Company has issued 6,000,000 new Ordinary Shares to an option holder pursuant to the Share Option Scheme on 14 January 2000. Details of the options exercised are set out in note 41 to the financial statements; and (ii) the Company has issued a total of 2,300 million new Ordinary Shares to GDH Limited, Guangdong Trust Limited and Goldman Sachs International in consideration of the Acquisition pursuant to the agreement between the Company and GDH Limited with regard to the Acquisition dated 16 December 1999. In addition, subject to the terms of an earnout agreement dated 22 December 2000 between the Company and GDH Limited, the Company has agreed to allot and issue to GDH Limited, subject to adjustment, up to a total of 330,000,000 Ordinary Shares over a period by way of further consideration for the Acquisition if 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited), a sino-foreign co-operative joint venture established under PRC law and 99% owned by GH Water Supply (Holdings) Limited is able to satisfy the requisite cash flow milestones.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Hong Kong Listing Rules ("Code of Best Practice").

In addition, the Company has established an Audit Committee comprising all of the Independent Non-Executive Directors of the Company in accordance with the Code of Best Practice. The principal duties of the Audit Committee include the review of the Company's financial reporting process and internal controls.

REPORT OF THE DIRECTORS (CONT'D)

PRACTICE NOTE 19 OF THE HONG KONG LISTING RULES

In accordance with the requirements under paragraph 3.3 of Practice Note 19 ("PN19") of the Hong Kong Listing Rules, the Directors of the Company reported below the details of advances to and guarantees given for the benefit of their affiliated companies (as defined by PN19) as at 31 December 2000:

Company	Advances HK\$'000	Guarantees given in respect of banking & other credit facilities granted and utilised HK\$'000	2000	1999
			Total HK\$'000	Total HK\$'000
Guangdong Transport Investment (BVI) Company Limited	244,864	538,700*	783,564	825,128
Guangdong Power Investment Limited	101,377	—	101,377	110,763
Zhongshan Investment Limited	165,347	—	165,347	165,347
New World-Guangdong Highway Investments Co. Limited	199,546	—	199,546	199,131
Essential Holdings Limited	7,270	—	7,270	7,270
Dongguan Yueheng Optical Co. Ltd.	7,230	—	7,230	11,065
Hennessy International Group, Inc.	18,767	—	18,767	22,463
Wing Wong Properties Limited	22	—	22	—
Far East Landfill Technologies Limited	—	—	—	76,114
Global Source Development Limited	—	—	—	21,235
肇慶康泰傢俬實業有限公司 (Zhao Qing Kontai Furniture Industrial Co. Ltd.)	—	—	—	2,015
	744,423	538,700	1,283,123	1,440,531

* Guarantee given by the Company in respect of the banking facility granted to Guangdong Transport Investment (BVI) Company Limited is HK\$538,700,000 (1999: HK\$673,815,000).

Details of the advances to the affiliated companies are set out in notes 44 and 45 to the financial statements.

REPORT OF THE DIRECTORS (CONT'D)

PRACTICE NOTE 19 OF THE HONG KONG LISTING RULES (CONT'D)

The above financial assistance given to the affiliated companies, in aggregate, exceeds 25% of the consolidated net tangible assets of the Group as at 31 December 2000. In 1999, the aggregate financial assistance to affiliated companies represented 33% of the consolidated net tangible assets of the Group as at 31 December 1999.

The proforma combined balance sheet of all affiliated companies as at 31 December 2000 disclosed in accordance with the paragraph 3.10 of PN19 of the Hong Kong Listing Rules is as follows:

	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS		
Fixed assets	1,839,999	467,659
Interest in a jointly controlled entity	2,337,619	2,376,696
Contractual joint ventures	665,876	548,246
Other financial assets	720,709	786,165
Other long-term assets	58,329	94,330
	5,622,532	4,273,096
CURRENT ASSETS		
Inventories	246,695	317,018
Receivables and prepayment	510,417	703,480
Cash and cash equivalents	565,317	335,845
	1,322,429	1,356,343
CURRENT LIABILITIES		
Payables and accrual	(2,675,025)	(2,578,652)
Bank and other borrowings	(264,313)	(329,038)
	(2,939,338)	(2,907,690)
NET CURRENT LIABILITIES	(1,616,909)	(1,551,347)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,005,623	2,721,749
NON-CURRENT LIABILITIES		
Bank and other borrowings	(2,146,154)	(1,365,072)
Minority interests	(139)	(213)
NET ASSETS	1,859,330	1,356,464
GROUP'S SHARE OF NET ASSETS	895,241	787,305

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

LI Wenyue

Chairman

Hong Kong, 22 April 2001